Accountancy

ESTABLISHED 1889

Freeing of Trustees

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Accounting for the Atom

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The Use of Variances

THE JOURNAL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES

JANUARY 1960

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The Institute of Chartered Accountants
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Editor of ACCOUNTANCY:
LEO T. LITTLE, B.SC.(ECON.)

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Accountancy

The Journal of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

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Incorporating ACCOUNTING RESEARCH

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The Fateful 'Fifties

APPARENTLY WE MUST not talk of "the Decade" until the end of 1960, so we will settle for the "ten years of the 'fifties." To say that they were ten eventful years in accountancy in this country is English and editorial understatement. The chief event was the integration of the Society with the Chartered Institutes, effective at the end of 1957 after long planning and negotiations, and virtually concluded administratively by the end of 1959. Integration brought the membership of the Institute of Chartered Accountants in England and Wales, which without it had passed the 20,000 mark in 1957, to over 30,000. At the beginning of the ten years, the members numbered 14,600; at the end, 32,600. In integration the 'fifties saw what may fairly be called the biggest stride in the rationalisation of the profession since its beginnings.

A main occasion of the ten years was the celebration in 1955 by members of the Institute of the seventy-fifth anniversary of its foundation. In 1951, an important move towards bringing members in industry into closer touch with Institute policy-making was made when the Non-Practising Members Sub-Committee (now the Non-Practising Members Consultative Committee) was formed. In 1957, the new pension schemes, C.A.R.B.S. and C.A.E.S.S., were launched. In 1958, the Taxation and Research Committee held its hundredth meeting; the new *Members' Handbook* was issued and the Parker Committee on the education and training of articled clerks was set up.

In 1952 there was the Sixth International Congress of

Mr. Joseph L. Latham, C.B.E., F.C.A.

Accountants in London, at which the British bodies were the hosts. In 1957, the Institute and other British bodies were largely represented at the Seventh International Congress at Amsterdam.

Outstanding events in the Society of Incorporated Accountants were the restoration after war damage of Incorporated Accountants' Hall in 1951; the beginning of the issue of *Practice Notes* in 1952; the attainment of 10,000 members in 1954 and the seventieth anniversary of the Society in 1955.

During the 'fifties there was something like a ferment of activity on the technical front in the Institute: the issue of notes, pamphlets and Recommendations; Autumn Meetings, Oxford Summer Courses, and special courses by District Societies. Of the great number of publications perhaps that on standard costing, issued in 1955, may be singled out as the best selling of the best-sellers. By the end of 1959, twenty sets of Recommendations had been published, six of them during the 'fifties.

New conditions for admission into fellowship were agreed in 1959, and consequently on the first day of 1960 some 11,800 associates became fellows and some 900 incorporated accountant members A.S.A.A. became F.S.A.A.

New Year Honours

WE OFFER OUR warm congratulations to Mr. Joseph Latham, C.B.E., F.C.A., and Mr. Arthur Bertram Waring, D.L., F.C.A., who are to become Knights Bachelor. Mr. Latham, who is the deputy chairman of the National Coal Board, was born in 1905 at Prestwich, Lancashire, and qualified as a chartered accountant in 1926. After many years' experience with Lancashire Associated Collieries and then with Manchester Collieries Ltd., he was appointed director-general of Finance by the National Coal Board, and in 1956 he became its deputy chairman. Mr. Latham is a member of the Non-Practising Members Consultative Committee of the Institute of Chartered Accountants in England and Wales and a past-chairman of the Taxation and Research Committee.

Mr. Waring is the chairman and managing director of Joseph Lucas (Industries) Ltd. He first joined the company in 1922, shortly after becoming a member of the Institute. He is a director of Lloyds Bank, and President of the Motor Industry Research Association. Mr. Waring is keenly interested in education and the well-being of those employed in industry; in 1956 he was a member of the Council of the Duke of Edinburgh's Study Conference on Human Problems of Industrial Communities. He served in the infantry throughout the First World War, and in the Second commanded a Home Guard battalion. He is Deputy Lieutenant of the County of Warwickshire.

It is particularly gratifying that the honour of Commander of the Order of the British Empire is conferred on Mr. A. S. MacIver, M.C., B.A., Secretary of the Institute of Chartered Accountants in England and Wales. This well-deserved honour will be a source of satisfaction to members of the Institute.

It is pleasing to see that four members of the Institute become Commanders of the Order of the British Empire. Mr. John Ainsworth, M.B.E., M.COM., F.S.A.A., is the City Treasurer of Liverpool. Mr. Cornelius Cameron, J.P., F.C.A., receives the honour for political and public services in Nottingham, and Mr. Brian O'Donoghue Manning, D.L., J.P., F.C.A., for political and public services in the County of London. Mr. Walter James Kimpton, F.C.A., is the Principal Accountant at the Admiralty.

Mr. Arthur Bertram Waring, D.L., F.C.A.

The honour of Officer of the Order of the British Empire is conferred on Mr. Archibald John Murray Cox, F.C.A., of the Board of Trade, to whom also we offer our congratulations.

We also have pleasure in noting that Mr. John Douglas Keith Brown, C.A., is to become a Knight Bachelor and Mr. William Kenneth MacLeod Slimmings, C.A., a Commander of the Order of the British Empire.

Changes in the Institute Secretariat

WE REGRET TO have to record that Mr. I. A. F. Craig, O.B.E., B.A., has resigned, as from the end of 1959, from his Assistant Secretaryship of the Institute of Chartered Accountants in England and Wales. Mr. Craig, who had formerly been an officer on Lord Mountbatten's Combined Staff (S.E.A.C.), was appointed Assistant Secretary of the Society of Incorporated Accountants in September, 1946. He became Deputy Secretary of the Society in July, 1947, and Secretary in January, 1950. On the integration of the Society with the Institute he became one of the Assistant Secretaries of the Institute. Mr. Craig's cheerful and unstinted service will be greatly missed, and in particular it will be remembered how tirelessly he worked for the integration scheme.

The Council of the Institute has appointed Mr. F. M. Wilkinson, F.C.A., Deputy Secretary as from the beginning of this year. Mr. Wilkinson was previously an Assistant Secretary. Mr. C. H. S. Loveday, F.C.A., Mr. W. M. Allen, B.A., and Mr. C. A. Evan-Jones, M.B.E., previously Assistant Secretaries, have been appointed Under-Secretaries.

Company Finance

MANY QUESTIONS THAT interest the accountant are answered in an important new book, *Studies in Company Finance.** This series of studies has been edited (and largely written) by Professor Brian Tew and Dr. R. F. Henderson, under the auspices of the National Institute of Economic and Social Research. It is based on the published accounts of 2,549 companies (the great majority of quoted public companies, though only 3 per cent. of all companies in existence). It covers a somewhat remote period, 1949–53, but happily the publication of more recent figures is promised. The editors and their associates first reduced the accounts to standard form, and then classified them in suitable groups (for example, by size of company and by industry). The resulting tables and the comment throw much light on the structure of business and post-war trends.

Six chapters are given to selected industries (brewing, cotton, building, building materials, electrical engineering and retail distribution). The rest of the book is an analysis of general matters, and is perhaps more interesting. The editors suggest some possible improvements in company accounting; they have been greatly handicapped by the lack of turnover figures, and they commend publication of "funds statements" (their own versions of such statements are admirably clear).

By contrasting their consolidated funds statements of British companies with those of American companies, the editors show striking differences: British companies put some 42 per cent. of their new investment into fixed assets, and 44 per cent. into stocks, whereas in America the figures are 70 per cent. and 30 per cent. respectively. About a quarter of the expansion of British companies was financed by new issues, the rest by internal saving; to make this saving possible, interest and dividends have been cut to one-third of profits (compared with two-thirds in 1938). In pounds sterling of constant purchasing power, Ordinary dividends fell considerably between 1938 and 1956; and taxation now takes some 40 per cent. of profit, instead of 14 per cent. in 1938. However, the fast-growing companies (in many instances the "giants") have tended to distribute a greater proportion of profits than less dynamic firms "in the hope of being able to raise fresh capital on better terms"—a useful tip for investors.

Bank overdrafts have played a surprisingly small part in company expansion, whereas trade credit is more important than the editors had suspected; in 1953–4, "debtors amounted to £1,587 million, creditors to £1,218 million and the outstanding amount of net trade credit to £370 million . . . these same companies owed only £270 million to their bankers." Despite the tax disadvantages of Preference shares, expansion was still financed to a moderate extent by issues of such capital.

The editors might perhaps have told us more about gearing; on this subject, their "indicator" is "the ratio of net fixed interest distributions . . . to total net income," which seems less satisfying than a balance sheet ratio. They have devised altogether sixteen "indicators" (ratios and so on), and thus have neatly reduced a great volume of data to digestible proportions.

* *Studies in Company Finance*. A Symposium edited by Brian Tew and R. F. Henderson. No. XVIII of the Economic and Social Studies of the National Institute of Economic and Social Research, Pp. xix + 301. *Cambridge University Press*: 35s. net.)

Wages through the Bank

THE BILL TO legalise wage payments by cheque, promised in the Queen's Speech, has now made its rather formidable appearance. The Payment of Wages Bill, although much simpler in its object than the two Wages Bills introduced earlier, the one by Mr. Graham Page and the other by Mr. Patrick Maitland, is a great deal longer and much more complicated. We must obviously accept the fact that the Parliamentary draftsmen must look ahead and steer to avoid foreseeable hazards, but it is a little difficult to believe that even waters troubled by trades unions and small shopkeepers are quite as rock-strewn as the length of this Bill would suggest.

The bones of the Bill, as displayed in the explanatory memorandum (itself quite closely packed) offer no surprises. Payment to the credit of an employed person's banking account is to be permitted six months after the Bill becomes law; payment by cheque is to be deferred until an "appointed day." Apparently, the delay is mainly due to the need to appease retailers, who fear they will have to carry large floats of cash and act as unofficial tellers in negotiating cheques; and indeed there would be reduced benefit to the individual or the community in a general adoption of the wages cheque in advance of a wider adoption of banking accounts.

The workman must request in writing any payment to his bank account or by cheque, he cannot be required to make the request, and the employer must give him a written statement setting out gross and net wage and detailing any deductions. Payment of workmen working away from the place of payment, or absent sick, may be made by Postal Order or Money Order without prior request by the wage earners, and this provision is to come into effect one month after the Bill is passed.

There remains substantial feeling amongst the trades unions that the whole idea of wages by cheque should still be resisted, and doubtless this feeling will find expression in the debate on the second reading. But there can be little doubt that this sensible reform will now reach the statute book, though how quickly payment of workpeople by cheque or bank credit will develop is another question.

More Restrictive Agreements Condemned

LAST MONTH THE Restrictive Practices Court declared the agreements of the

Federation of Wholesale and Multiple Bakers (Great Britain and Northern Ireland) and the Federation of British Carpet Manufacturers to be contrary to the public interest and to public policy respectively. Seven cases have now been heard by the Court, and in six it has found against the agreement.

In the bakers' case Mr. Justice Pearson said the Court questioned the representative character of the samples upon which selling prices were fixed and since it could find no evidence of any appreciable sales below these prices regarded them as in effect minimum ones; their description in the agreement as maximum prices provided no substantial benefit to the public: in the circumstances, the Court found that the system of fixed prices as worked was contrary to the public interest. Time is to be allowed for the bakers to draft an acceptable alternative arrangement.

In the carpet manufacturers' case Mr. Justice Upjohn said the Court recognised the standard for which prices were fixed as probably the most useful single standard that could be devised. Prices were fixed only for these standard qualities but other prices tended to follow the standard rates. The prices, which were minimum ones, were imposed upon wholesalers, who were allowed fixed discounts: this arrangement was very objectionable since it prevented a new and enterprising wholesaler from acquiring a proper range of carpets. Similarly, the range at the disposal of the retailer, whose prices were probably too high, was narrowed. The Court could see no possible benefit to the public from the scheme and indeed held that a very considerable detriment flowed from it. Accordingly it was ruled that the main price-cum-quality standard, the restrictive wholesale list, the consumer-buyer provisions and the main oversea market restrictions down to August 26 last were all contrary to public policy.

Inspectors' Report on Hide & Co.

THE FULL REPORT of the Board of Trade Inspectors appointed on April 4, 1957, to inquire into the affairs of *Hide & Co. Ltd.* was presented at the beginning of November and published in mid-December. The Inspectors, appointed under Section 164 of the Companies Act, 1948, were Mr. Norman J. Skelhorn, Q.C., and Sir William S. Carrington, F.C.A. (a past-President of the Institute of Chartered Accountants in England and Wales).

The report deals in detail with the acquisition by Hide & Co., or its associate *Great Northern & Southern Stores*, of shares in ten companies; with matters arising out of larger loans by the company to *Wright Hamer Textiles*; and with the service agreements of Mr. L. P. Jackson and of another director. (See our Professional Notes in the issue of last May, page 243, June, pages 303–4 and November, pages 581–2, on the criminal case against Mr. Jackson and his conviction.)

The general conclusions of the report are that from his appointment as chairman in June, 1939, Mr. Jackson was the dominant personality in Hide & Co. and the other member of the group; that he was the main instrument of the growth of the company, but that he set out in most instances to make an intermediate profit for himself and took pains to ensure that his co-directors and/or the auditors should not know of this profit or, if they knew of it, its amount.

The Inspectors further believe that the other members of the Board did not exercise, or seek to exercise, any check on Mr. Jackson's activities. Indeed, they find at least one flagrant example of failure by the Board to make adequate inquiry when, in the opinion of the Inspectors, it was plainly their duty to do so. On the other hand, they state that the auditors, Messrs. Ogden, Hibberd Bull & Langton, Chartered Accountants, and Mr. W. E. Ogden, F.C.A., in particular, carried out their duties in an exemplary manner (as, indeed, the Judge in the case against Mr. Jackson had also said in the Central Criminal Court). The laxity of control over Mr. Jackson continually placed Mr. Ogden in an invidious position. Thanks to Mr. Ogden's persistence, several matters were put right in the accounts in addition to those in respect of which it was necessary to qualify the auditors' reports. The Inspectors are satisfied that in regard to the qualifications in their reports the auditors did all that was open to them under the law as it stands, and close with the suggestive statement: "Consideration of any extension of an auditor's rights and duties is obviously outside the scope of this report."

Crowther and Articled Clerks

THE MAIN RECOMMENDATION of the Crowther report on education between the ages of 15 and 18 is that as the first priority the school-leaving age should be raised to 16 between 1966 and 1969. As the second priority there should be compulsory part-time education up to the age of 18 for all who do not stay at school until then.

Both proposals would clearly have effects upon recruitment into the accountancy profession and, the second one particularly, upon the training and education of articled clerks. But more far-reaching effects are likely to come in other ways. The report envisages a large increase in the numbers voluntarily staying at school until 18 and affirms:

> Many professions which have been accustomed to recruit boys of real academic ability at 16 will find that they can no longer do so at that age, because pupils of the required ability will not give up the chance of a sixth form education. Banking, accountancy and law, for instance, will, it seems to us—and we do not regret it—either have to resign themselves to recruits of poorer intellectual quality than they have been accustomed to getting, or will have to recruit from the sixth form [at age 18] rather than the fifth.

In the discussion around the second of the recommendations noted above, the report says:

> Correspondence courses . . . cover a wide field and for certain professions such as bankers, accountants and chartered secretaries, they represent one of the chief methods of preparation for examinations. It is to be noted that the field from which the students in these occupations are drawn is a selected one; but even so the route is in our view arduous and progress

probably slower than it need be if other methods of teaching were adopted. Some of the subjects studied have a high general educational value as well as professional relevance, but the nature of the system prevents students getting from their study what they would if there were opportunity for the free and spontaneous interplay of mind on mind.

The context is, however, that of education up to 18 and the report does not take cognisance of the place of correspondence courses after 18—when, after all, they have their main place, at least in the education of candidates for the accountancy profession.

Local Authority Pension Funds into Equities

THE LOCAL GOVERNMENT Superannuation (Investment of Funds) Bill (a Private Member's Bill) would allow all local authorities to invest in equities, subject to stipulated conditions and limitations.

The Bill is an academic document, however, for it stands no chance of passing now that there has been issued the White Paper discussed in our Editorial article. Local authorities are among the other trustees to be granted the extended powers of investment in equities, when the Government brings in its Bill on the lines adumbrated in the White Paper.

Of particular interest to local authorities is the proviso about advice from a "competent professional financial adviser such as a stockbroker, accountant, or bank manager." One would expect that a Chartered Municipal Treasurer would be a competent person to give advice, but it has to be seen how the provision is worded in the Bill.

Several local authorities, including London, Essex, Kent, Surrey, Coventry, Edinburgh, Rochdale and Wallasey, have already obtained special powers to invest in equities. A number of district councils also have powers under the appropriate County Council Act.

It is apparent that most of the authorities already utilising their powers to invest in equities prefer to operate with as little publicity as possible. Information on their experience is in consequence scanty, except that the capital gains made (presumably mostly on paper) by the Manchester scheme have attracted much attention. It is understood that the London County Council is not yet exercising its powers to invest in equities.

Authentic information about the securities and investments of local authorities is difficult to obtain otherwise than by authorised inspection of the books and accounts, unless the authority chooses to publish details in the minutes or abstracts of accounts. The practice seems to be to invest in equities in the names of nominees, so that it is not possible to obtain any information by inspecting company registers.

Capel House

THE CAPEL HOUSE (Medcalf) Trust was founded in 1953 by Colonel Sidney A. Medcalf, O.B.E., T.D., D.L., who made a gift of Capel House, Enfield (subject to a tenancy in his own favour for the remainder of his life and his sister's) and substantial investments to be used towards upkeep and maintenance. The Trust was to be for the education, whether general or professional, of students and members of the Society of Incorporated Accountants. Colonel Medcalf and his sister have since died, but on the coming into effect of integration and the passing of the Society into voluntary liquidation, it became impossible to fulfil the objects of the trust. It was desired to remove any doubt about whether the trust was charitable. An application was made to the High Court, firstly for confirmation that the original trusts were valid charitable trusts; secondly for an order that a scheme should be drawn up for the administration of the funds in accordance with the *cy-près* doctrine; or, thirdly, failing such an order, for a direction as to how and for whom the funds should be held.

The case came before Vaisey, J., on November 26 and 27, and he delivered his reserved judgment on December 17. His Lordship said that educational trusts were not necessarily charitable but in the present case the trust was clearly a good and valid charitable one. He accepted that there must be a public element, but if, as had been established, it was in the public interest to promote the education of lawyers and surgeons (he cited the case of *Royal College of Surgeons* v. *National Provincial Bank Ltd.* (1952) A.C. 631), it was also in the public interest to promote the education of accountants. The Judge therefore held that the trust was a valid and charitable trust and referred the case for a *cy-près* scheme to be prepared in Chambers.

Incorporated Accountants' Hall

AS WE REPORTED in our issue of July/August (page 353), the Institute of Chartered Accountants in England and Wales had sold Incorporated Accountants' Hall. The purchasers, Smith & Nephew Associated Companies Ltd., are now in occupation. It is being used as the registered office of that company and as the headquarters offices of its group of companies. We are gratified to be able to say that much care has been taken to keep the Great Hall as it was during the occupancy of the Society and that only minor changes—which are in fact improvements—have been made to the remainder of the premises, including the room which was the Library. We know that former members of the Society, who had a sentimental attachment to Incorporated Accountants' Hall, will be pleased to learn that it is in good hands and that every care is being taken to retain its essential characteristics.

Trilby Hat Shareholding

IT IS NOT so much lack of money as unfamiliarity with the investment world that deters many from becoming recruits to the ranks of shareholders. Even the most rudimentary elements of investment are very widely unknown. If shareholding is to spread more than extremely slowly to a substantial proportion of those to whom it is unfamiliar there will have to be a great deal of education and many obstacles will have to be removed.

Further, it seems probable that the high cost of investment in small

parcels and the complexity of existing arrangements are much more effective deterrents than lack of savings or unwillingness to take risks. There is also a remnant of objection to shareholding which can only be described as political, but it could perhaps be reduced by education.

These findings are from a booklet* by the Acton Society Trust, published last month. The study is based on replies to questionnaires sent to clients of unit trusts and stockbrokers and on interviews with employees of concerns operating shareholding schemes. It is perhaps the first really valuable study of a subject which proves to be exceedingly complicated.

It is evident that, before education for shareholding can hope to proceed rapidly, there must be legislation simplifying the business of transfer or permitting organisations to simplify it; co-operation by the taxing authorities to reduce the cost of acquiring shares; and re-orientation of the views of the stock exchanges—re-orientation both on publicity and on the organisation needed to cope with the large number of very small orders which might be expected to come in. It would have to be made possible both to effect the business and to give advice when sought without loss to the broker and without much increasing the cost of investment. What now seems to be called for is a further investigation into some at least of these questions.

Accommodation of Office Workers

THE OFFICES BILL, a Private Member's Bill presented by Mr. Marsh, Labour Member for Greenwich, secured a second reading last month, despite a clear indication that the Government is not prepared to support it. It is thus likely to share the fate of a number of Bills, presented over the past forty years or so, designed to improve the accommodation and amenities of office workers. Its immediate predecessor, the Offices Regulation Bill, was the subject of Shorter Notes in the issues of ACCOUNTANCY for January and February, 1958, pages 8 and 50.

The standard demanded by the new Bill is "sufficiency." What is sufficient as to structure, arrangement and operation of offices—an office is virtually any place in which papers, including money, are operated upon and includes also operation of telephones—would be defined by regulation.

Opposing the Bill, Mr. Vosper, Under-Secretary, Home Office, suggested that more than a million offices would fall under it and that to see that they were all up to standard would take considerable time. The official view is that the recommendations of the Gowers Committee of 1949 (Command 7664) are out-of-date and the Government proposes to invite selected local authorities to conduct an inquiry. If and when they report it will be possible to decide what further action, if any, is desirable.

Interfirm Comparisons

A CONFERENCE THIS month of the Centre for Interfirm Comparisons Ltd., in conjunction with the British Institute of Management, on using the return on capital ratio was very well attended. Mr. L. Taylor Harrington of C.F.I.C., summing up after the discussion, was fully justified in saying that the confines of knowledge had been pushed back somewhat. Mr. F. Sewell Bray, F.C.A., chairman, in opening the conference, paid tribute to the work of the Centre and introduced the speakers—Dr. T. Barna of the National Institute of Economic and Social Research; Dr. J. M. S. Risk, C.A., F.C.W.A., management consultant; Mr. H. W. G. Kendall, chief cost accountant with the British Federation of Master Printers, and the Hon. Michael Lambert, F.C.A., of the Industrial Finance and Investment Corporation.

Dr. Barna dealt mainly with the fruits of a recent investigation into the relationship between profit and growth in forty-three electrical concerns and thirty-one concerns in the food industry over the nine to ten years starting 1948/49. The groups were chosen because the one industry was felt to be expanding rapidly, while the other was much more stable. A point of exceptional interest revealed was that the differences of experience in the two industries were not significant. In both the variation between individual concerns was greater than the variation for any concern over time, but ten years is a short period and there had been little change in management. Profitability and growth rates moved together, but it is probable that both depend on the quality of management and not growth on profit or vice versa. Again, it was not possible to detect any effect on different methods of finance—for example, internal financing as against raising new capital—while businesses that had been very liquid at the commencement of the period sometimes grew less than those that had been in debt. Further, some concerns had grown without justification, that is, investment had sometimes been too high, and had brought no increase in profit. In this study growth had been measured by growth in assets and it made little difference whether one took only fixed assets or net total assets. Further, no allowance had been made for the effects of the depreciation of money over the period: the discussion confirmed that the effects were probably similar for most businesses.

Dr. Risk was concerned to make it clear that the returns obtainable on human effort varied widely—for instance, between the professions and between them on the one side, and on the other side commerce and industry, within which also there were considerable variations. He suggested as a useful starting point the relation between the cost of the resources used and the value of what is produced. Profits should be related to the cash invested. The practical problem was frequently to find how much cash you require for a given purpose: here there had to be considered not only replacement cost of fixed assets but the growing cost of stock-in-trade and work-in-progress.

Mr. Kendall spoke mainly of his investigations into the printing industry in which manpower in the individual firm varied from ½ to 5,000, the activities were equally

*Wider Shareholding. Pp. 95. (The Acton Society Trust, 39 Welbeck Street, London, W.1: 8s. 6d. net).

complex, the range of age of plant was extremely wide and the number of related activities almost infinite, making any study of the kind attempted very difficult. He had tried to judge efficiency and the measure had been return on capital, with some secondary ratios. After much thought on the value to be attributed to fixed assets—insured value was taken as a good guide — he attempted to determine the rate of profit on re-valued assets. He eventually arrived at a concept of what it should be possible to achieve in the way of profit on each main type of activity within the industry, and general results for all types were handed to all printing concerns.

Finally, the Hon. Michael Lambert gave the point of view of the investor. He is interested in dividends and the prospect of dividends. Over time what he expects may vary substantially and the relative attractiveness of two possible investments will be determined in part by taxation. Also, he must consider factors other than the efficiency of management, for the shares of a very efficient business may be very unmarketable. Again, it will depend on the investor whether or not he prefers current dividends to future capital appreciation, while methods of raising capital, which can change rapidly, affect the position.

Some of the more important points raised in the discussion were the treatment of depreciation at a time of changing prices, in relation both to fixed assets and to inventories; how a given capital programme that had resulted in mopping up surplus capacity in existing plant should be counted as against another scheme where no such mopping up had occurred; and whether assets should be revalued on full replacement cost or on the cost of replacement in the existing state. It emerged that there is no close relation between size and either profitability or rate of growth. Again, size as judged by financial importance may be very misleading: it is best measured by turnover against invested capital, but the percentage of the total trade carried on by one business may be very important.

It was evident that the various subjects covered by the speakers aroused widespread interest and that, impressive as have been the achievements in a few industries, the application of interfirm comparisons has still a very long way to go before its usefulness is exhausted.

Financing the Farms

IN FIXING THE overdraft limit of a customer, a bank manager looks to the three "C's"—character, capital and capability—and the second and third of these qualifications, if not the first, show up directly in the accounts. At a meeting of the Agricultural Economics Society at Harrogate last month, Mr. G. S. Course, of Barclays Bank, Winchester, put capital and capability in specific terms when he said that a banker would consider a loan of one-quarter to one-third of the farmer's capital as perfectly safe, provided the turnover was at least equal to the capital and profit was £7 to £10 an acre before tax and reasonable drawings (the good character of the farmer being taken as understood). Farmers with good records might get more.

Judging from enquiries he had made in his own area, Mr. Course did not think creditworthy farmers were shut off from bank credit. That view is in line with the findings of the Radcliffe Committee, which did, however, emphasise that there should be a better understanding by farmers of what the banks can offer and closer relationships between bankers and their farming customers. The Committee also recommended term loans to selected farmers as an alternative to running overdrafts, but Mr. Course's address tended to show that generally "selected" must be the operative word, for he asserted that every bank manager in the country has on his books some struggling farmers whose original bank advances have over the years assumed, willy nilly, "a startling similarity to permanent finance."

The banker expected the farmer's capital, said Mr. Course, to be his own personal stake, not Auntie's loan. This point makes it doubtful whether the banker is serving his agricultural customer quite as well as Mr. Course affirmed in his paper. Certainly creditworthy farmers may not lack credit facilities—as mentioned in the preceding paragraph—but as Dr. Joad would have said, "It all depends upon what you mean by creditworthy." Another farming conference, held this month at Oxford by the Department of Agriculture there, which seemed far more concerned at capital shortage on the farms, rightly spotlighted the difficulties of the young farmer with no family holding to step into who would need £40 to £50 an acre as capital for his farm. One solution envisaged was a partnership by which a senior partner, after providing the money and drawing up a farm plan with his junior partner, left him to do the actual farming. The senior partner in this scheme would admittedly not be as somnolent as Auntie, and presumably a bank would take fair account of his capital in fixing the amount of the bank loan, but it seems hardly reasonable for a firm loan from Auntie to be excluded altogether.

Trustee Deposits in Building Societies

A PUBLICATION CALLED *Hallmark* has now been published, listing the building societies which have been designated by the Chief Registrar of Friendly Societies under the House Purchase and Housing Act, 1959, as fulfilling the stringent requirements to receive sums on deposit for investment by trustees (limited to £5,000 for any one trust). The booklet reproduces the investment provisions of the main statutes governing trusts in Great Britain with the principal amendments, including Section 54 of the Local Government Act of 1958. It also lists the principal trustee stocks and gives the relevant details of the building societies designated, totalling 188. A further six were designated up to November 17, 1959, but too late to be included in the booklet. This publication will be a useful reference book. All the particulars are to be found in separate issues of the *London Gazette*, but it is a convenience to have them assembled.

It is well to note that among the

requirements for eligibility for designation is the possession of total assets of at least £500,000 and that only some 260 odd societies satisfy this criterion.

Hallmark is published by Franey & Co. Ltd. at 7s. 6d. net, and is to be revised and published in April of each year.

Stock Market Problems

LAST MONTH PRODUCED for the stock exchanges not only a further burst of business but a number of developments. We leave on one side the conversations which have been proceeding for international bourse agreements, including official valuation of shares, which raise complex problems and have not as yet progressed far. At home the excessive volume of business has again produced a step by at least one broking firm in London to discourage the business of the small man. The firm has intimated that it will either refuse the business altogether or charge more than the minimum under the regulations. Naturally, any firm is free to take such steps, and the temptation to drop unremunerative business when staffs are overworked is understandable. But it would be difficult to think of anything more calculated to bring the exchange into bad repute. It is really high time that the question of investment in small lots was tackled with energy and intelligence.

Another indication of the sense of strain that recent conditions have produced is a claim by jobbers that they should be given prior information when takeover bids are on the way. Related is the suggestion that it would be well if there were some control of prices when a bid was expected. The matter is under investigation and some useful measure may possibly be devised, but no proposal should be entertained which does not take full account of the fact that the members of the companies concerned have first priority for protection.

A third development, also arising out of growth of business and mere lapse of time, is the warning that members of the London Stock Exchange must expect to pay larger subscriptions in the coming accounting year. The exceptionally favourable conditions of recent months might lead one to suppose that an increase would be swallowed without much protest, but that is not so. Members had their subscriptions raised only two years ago; they do not expect existing boom conditions to last for ever; and many of them think that proposals for modernisation, and still more for expediting the rebuilding of the House, are premature or even unnecessary. Others consider that the money can be obtained from people other than members—for example, by raising still further the charge for granting a quotation. The answer to the last group is far from clear, but it is improbable that sufficient money can be raised by this means alone. In any event some members and many non-members believe that the solution of the problems of the exchange lies in a still more rapid modernisation over a wider field, including an adjustment of outlook to take full account of the idea of a share-owning democracy. Some such changes at least might pay for themselves. It seems probable that many of these problems will have to be thrashed out over the next year or two.

One further issue of a different kind has also arisen. It is the report—or perhaps no more than a rumour—that detailed statistics of turnover will be refused outright because to publish them would be embarrassing to the jobbing system (a system unique to London). The point cannot be ignored. But, again, protection of the jobber must not be allowed to prejudice the rights of the public.

Shorter Notes

Jubilee Convention of New Zealand Society

The Institute of Chartered Accountants in England and Wales will be represented at the Jubilee Convention of the New Zealand Society of Accountants in March next by Mr. T. A. Hamilton Baynes, F.C.A., a member of the Council, who will be visiting New Zealand at that time. The Institute of Chartered Accountants of Scotland will be represented by Captain Maurice R. Aries, C.A. As announced in our issue for September, 1959 (page 456), the Convention will be held in Wellington from March 24 to 30.

Duke of Edinburgh to Attend Luncheon with Scottish Institute

On his visit to Edinburgh on March 24 the Duke of Edinburgh will have luncheon with the Institute of Chartered Accountants of Scotland at the North British Hotel.

Howitt Prize Fund

The Nottingham Society of Chartered Accountants announces the establishment of the Howitt Prize Fund by Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A., a past-President of the Institute of Chartered Accountants in England and Wales and a member of the Council. The income from the fund of £1,500 3½ per cent War Loan generously endowed by Sir Harold, who was articled in Nottingham, will be used to award a prize to a successful Nottingham student at each final examination. The first award will be made after the examinations held in May, 1960, and the Nottingham Committee will take into consideration any recommendations put forward by the Students' Society, principals of candidates and others.

Asian and Pacific Accounting Convention

The second Asian and Pacific Accounting Convention will be held in Melbourne from April 4 to 7 under the auspices of the Institute of Chartered Accountants in Australia and the Australian Society of Accountants. The President of the Convention will be Mr. J. W. Peden, President of the Australian Institute. Among the countries from whose accounting organisations delegates will be present are China (Formosa), India, Japan, Korea, Pakistan, the Philippines, Singapore, Thailand, as well as from Canada, New Zealand and the United States. The Convention will be preceded by a conference of official delegates at Canberra from March 31 to April 2, when the topics to be discussed will be: (1) functions, organisation and activities of associations of accountants; (2) independence in accounting practice; (3) education and teaching of accountants.

EDITORIAL

Freeing of Trustees

As it promised last May, the Government is to relieve trustees of the hamstrings of the existing Trustee list. There has for many years been much demand for this reform of the Trustee Act of 1925. New trusts have been drafted on wider lines but existing trusts could be varied (aside from some special instances) only by incurring the expense of going to the High Court. In inflationary conditions or following them it has been inequitable that trustees of old trusts were almost always bound to invest within a narrow range of depreciating fixed interest securities, mostly gilt-edged, contained in the Trustee list.

The reform is boldly conceived: it allows trustees to go heavily into the equity market (though perhaps less heavily than some operators on the stock exchanges have imagined) and faces squarely the adverse consequences for gilt-edged; it applies equally to charitable and non-charitable trusts. We are particularly pleased to see that the possibility, darkly hinted at last May (see ACCOUNTANCY for June, 1959, page 307) that private trustees might be singled out for less favourable treatment than institutional trustees, has been discarded (if it was ever seriously entertained); not to give the individual trustee or trustees the same freedom of action as the institutional trustee would in the end mean the loss of the great advantages which flow from intimate knowledge of the requirements of the beneficiaries.

The outline of the reform is given in a White Paper, *Powers of Investment of Trustees in Great Britain* (Command 915). Trustees of existing trusts will be relieved from most of the restrictions imposed on them by the Trustee Act, 1925 (and the corresponding but earlier Scottish legislation) by being allowed, subject to any provisions in the trust instrument authorising or precluding a particular investment, to invest funds in three categories of the classification of investments set out in the White Paper. These categories are: convertible debentures or any stock or shares of any company incorporated in the United Kingdom; shares of building societies designated under the House Purchase and Housing Act, 1959; and units of unit trusts authorised by the Board of Trade. It will be observed that all these permitted securities have been in some sense "vetted," if not by a government Department or local authority, then by a stock exchange, for it is further provided that—with the exception of bonds or mortgages of local authorities and building society shares—no funds may be invested in stock or shares unless they are quoted on a United Kingdom stock exchange.

Not more than half of the trust fund may be invested in the three categories and investment is permitted only in securities of any company with a total paid-up capital of at least £1 million which has paid a dividend on all its issued share capital in each of the five years preceding investment. These conditions are close to those originally suggested by the Institute of Chartered Accountants in England and Wales in evidence to the Nathan Committee in 1951, but not so stringent on the dividend requirement. A further condition is that not more than one-tenth of the fund, or £250, whichever is the greater, may be invested in any one company, unit trust or building society. One exception that can be taken to the list is that it excludes foreign securities as such, but there is nothing to indicate that a trustee might not hold shares in an institution owning such investments, or carrying on operations outside the Commonwealth.

There remains one further condition imposed upon all but institutional trust corporations such as the Public Trustee and the banks. The condition is that without written advice no such trustee may invest in any security whatever, other than in stipulated forms of small savings or, subject to the provisions of the old Trustee Acts (which are to be retained in this respect) in mortgages in England and Wales of freehold property or of leasehold property in which the lease has at least sixty years to run, or in Scotland in heritable securities. Thus, the need to take advice is applied, and very properly applied, not only to such investments as equities and company debentures, but to all securities of the British Government and, *a fortiori*, to junior issues.

The written advice must be provided by a competent professional financial adviser, and three kinds of such advisers are named in the White Paper—stock brokers, accountants and bank managers. The task of giving wise advice on investment is not easy and is fraught with legal perils (which the legislation may be expected to spell out). The task is made more difficult by the nature of the obligations laid upon some trustees. But the obligation to take advice is a wise one, if only because a second opinion may produce a fuller realisation of what is in fact required in any given case. There may be other kinds of consultants whose advice may prove to be acceptable under the new legislation, but it is at least satisfactory that accountants, presumably those officially recognised, have been specifically included in the White Paper. From the nature of his normal job the accountant is well informed on many of the matters required in a good investment adviser and it seems probable that his services will be widely demanded as financial adviser and often, in all probability, as co-trustee as well. It is not entirely clear whether, if the trustee is himself in one of the categories of acceptable advisers, he must seek the advice of another such adviser, but presumably he would not have to do so.

This article describes some of the accounting difficulties encountered in the formation and early days of the United Kingdom Atomic Energy Authority and reviews the progress made so far.

Accounting for the Atom

—The Development of Accounting in the U.K.A.E.A.

By A. G. Coulbeck, A.C.A.—Chief Finance and Accounts Officer, Research Group

THE UNITED KINGDOM Atomic Energy Authority is a statutory corporation set up under the Atomic Energy Authority Act of 1954, following recommendations by the Waverley Committee, and is funded on an annual basis by Parliament.

The Authority operates through a number of Groups, each of which has a large measure of autonomy. Accounting is one of the functions which is decentralised.

By most standards the Authority is a large body, at present employing some 32,000 people, and the estimated expenditure for 1959/60 has been published at £124 million. Since its formation in 1954 the number of employees has almost doubled and the expenditure has more than doubled; this rapid rate of growth is an important factor in considering the administrative and accounting problems.

The Problem

Many readers will be familiar with the accounting principles of government Departments. The form of accounting employed is rudimentary by accepted accounting standards and, generally speaking, goes little further than a broad analysis of cash expenditure and receipts. This analysis is on a purely subjective basis, and expenditure is voted by type of expense rather than by purpose. Expenditure on wages and salaries provides a simple example of the method of analysis: all payments of salaries and wages (together with allied payments such as travelling expenses) are classified under one heading; no attempt is made to apportion wage costs to the nature of the employment—for example, workshops, office cleaning and so on. In assessing expenditure no regard is paid to the fluctuation of debtors, creditors and stocks, or to notional costs such as depreciation: expenditure is a simple expression of actual cash outgoings in a given period. The other major difference between government and commercial accounting is that, generally, asset records are not evaluated in government accounting. From these principles, it follows that only a very crude form of costing can exist. (There are exceptions to the general statement; some governmental Departments —for example, the Royal Ordnance Factories—operate on accepted accounting conventions and have developed accounting and costing systems of a high standard.)

For the majority of government Departments, which are not engaged in manufacturing or trading activities, the simple form of accounting that usually exists is adequate, but for organisations engaged in extensive manufacturing and trading pursuits a better developed system, from which can be obtained reliable costs and other data necessary for management, is essential.

The accounting problem facing the Authority on its formation, therefore, can be stated simply as the need to introduce commercial accounting and, since the Authority was to continue to be funded by government, to retain a system which would also enable accounts in conventional government accounting form to be presented to Treasury.

The Management Aspects

The problems of introducing commercial accounting fell into two broad categories. Firstly, there was the rapid expansion of the Authority, the difficulties of staffing, Group co-ordination, a natural antipathy on the part of

many of the staff towards change, the teething troubles of a new organization, and so on, which I will call the management aspects. Secondly—and these I will deal with later—there were the accounting aspects, such as the preparation of a statement of affairs as at the date of takeover, the setting up of accounting conventions to cover the definition and design of accounts and the like, consideration of mechanisation, the overhaul of existing costing systems and the introduction of new systems where appropriate, depreciation rates, and a host of other technical accounting points.

The management aspects in many instances proved every bit as difficult as the accounting queries which had to be resolved, and I would like to say a few words about the more important of them. The tremendous growth of the Authority from 1954 onwards, running alongside the introduction of new systems—and very often leaping ahead of them—was a great headache, particularly in the early days. It meant that even the most mundane of operations, such as bill-paying or payrolling, could never be left safely to tick over whilst the planning of new systems and their introduction went on; there was a constant need to operate existing systems on a patch-and-mend basis to cope with ever-increasing work-loads, which resulted very often in the time of senior accountants being diverted from the main task of re-planning.

The second major problem was that a great deal of the exercise of introducing commercial accounting, and particularly the preparation of the initial statement of affairs, had to be done in retrospect. Originally, the intention was to set up the Authority in January, 1955, but this date was accelerated to August, 1954, with the result that many months of planning time were lost. Thus the Authority came into being before new accounting systems had been fully devised, and, because of the consequent need to take a number of *ad hoc* decisions in the early months, a certain amount of abortive work necessarily had to be undertaken, merely to keep the wheels turning.

Staffing difficulties probably ranked third amongst the management problems. At the time the Authority was formed there were very few staff in the organisation who possessed more than an elementary knowledge of accounting, and even less with the experience and background required to bring about the necessary changes in accounting practices. It was essential, therefore, to recruit a team of accountants of broad experience to carry the job through. Some were recruited from government Departments; others were recruited from the ranks of industry. But all this took time, particularly because of the necessity to ensure that new staff were security cleared; and personnel with acceptable experience were difficult to find.

The other problem to be touched upon is that of overcoming prejudice on the part of many existing staff. It must be remembered that by far the greater number of the initial staff had been transferred to the Authority from their old department, the Ministry of Supply, where for years they had operated on a system of government accounting. There was thus a frequent need to "sell" commercial accounting—a somewhat harrowing experience to many accountants, who all too often come to regard their creed as the only acceptable doctrine on the recording of financial transactions!

The Initial Statement of Affairs

The first task facing the accountants was the assessment of the assets and liabilities of the newly created Authority, bearing in mind that, because of the acceleration of the formation of the Authority, many of the asset records had perforce to be built up in retrospect. The greatest difficulty lay in the fact that the asset records taken over were very inadequate and, indeed, many assets were not recorded at all. This snag applied especially in the Research Group. (The Industrial Group had for some time operated a system of commercial accounting and accurate asset records were available; the Weapons Group was a young establishment and it was often not necessary to delve very deeply before unearthing asset costs; but the Research Group had operated for ten years or so at Harwell. Many of the buildings had been erected in the 'thirties and were inherited from the aerodrome site on which Harwell was founded, and there had also been extensive building and plant installations in recent years.)

For many of the earlier buildings no satisfactory records were available, and in many instances the costs of buildings and the plant and furniture and fittings within them were aggregated. It was necessary to estimate costs and then to apportion those costs as between, say, buildings and plant. Of the buildings constructed since the site was taken over from the Air Ministry some costs were available from the construction agents (the Ministry of Works). These costs were often inadequate in themselves and carried little detail, but they did provide a basis from which asset records could be initiated. The buildings story was further complicated by the fact that it was not always easy to identify buildings shown in the costs of the construction agents with the bricks and mortar on the site; many buildings had been re-numbered or re-named over the years, some had been altered or extended out of recognition, and some had disappeared from the scene completely.

The listing and evaluation of plant presented something of a problem. In the main, the conventional plant—for example, workshop machine tools and vehicles—was relatively easy to deal with, although at the preliminary stocktaking there were found many machine tools for which no records (other than for maintenance) existed. These items had been installed in the early days, and for some—for example, those representing war reparations—no payment had ever been made, and even the date of acquisition was uncertain. Estimated values were ascribed to them by reference to catalogues where available, and on assessments by engineers. But a great deal of the plant taken over by the Authority was not conventional. Over the years many millions of pounds had been spent in the creation of plant which was very novel in character—for example, reactors, high energy physics machines

and various other advanced experimental facilities. Much of this plant had been developed and manufactured on contracts with industry and the cost could be determined, but a great deal of the work had been executed by the men and materials of the Ministry itself, and for this expenditure, particularly in the Research and Weapons Groups, no accurate costs existed. Since catalogues of reactors were not available it was again necessary to resort in some instances to technical estimates, cross-checks being applied wherever possible with alternative sources of information, current construction costs of similar equipments and so on. Adjustments to the original valuation of plant have been made in the light of subsequent stocktakings (which inevitably revealed omissions in the first "round up", which was done under considerable pressure of time) and later and more accurate estimates and apportionments, but it is a source of satisfaction to the staff engaged on the original exercise to know that these adjustments have moved the original figure by considerably less than one per cent. Satisfactory asset records now exist in all Groups of the Authority in support of the balance sheet figures, all plant is readily identifiable, and well defined procedures exist for the control of purchase, movement, disposal and stocktaking of plant.

Another major item in the statement of affairs was assets in course of construction. This item was taken over at valuation according to architects' certificates, though because of the delay in starting the exercise recourse had to be made in some instances to estimates.

The only other assets of significance in terms of value taken over were stocks of stores, and work-in-progress. The stores records taken over were designed primarily to afford physical control only; evaluated records of stocks were not available, and to determine the value of stocks of stores taken over it was necessary to list and evaluate bin cards, physical verification being applied to random items. Since that time, a great deal of effort has gone into bringing stores recording and control up to a high standard. All Groups in the Authority now maintain evaluated stores and stock control records on punched card systems, and close attention at all levels of management is given to stock control in order to ensure the most economical use of capital. Work-in-progress is a big sum in the balance sheet of the Authority, and includes the value of uranium, plutonium and other special reactor materials, all of which are very expensive commodities. As I mentioned earlier, the Industrial Group had operated on commercial accounting lines (including a well developed costing system) for some time prior to the creation of the Authority: that it had done so was of great assistance in determining the value of work-in-progress at August 1, 1954. The greater part of these "special materials" had been processed, fabricated and so on at factories in that Group, and valuation at takeover (raw materials cost, plus cost of work done by the Industrial Group) was fairly easily established. It must be realised that the ordinary concept of evaluating work-in-progress at "cost or market value whichever is the lower" could not be applied to a great deal of the work-in-progress of the Authority—plutonium, enriched uranium—for which no market value existed or exists. The value at takeover was, therefore, determined by reference to historical costs.

The remaining items in the statement of affairs presented no great problems. A certain amount of delving into old records was necessary to establish the cost of land, but in value terms this was a relatively small item. Debtors were easily established (credit control was weak in some departments and had to be remedied) and cash at bank and in hand was quickly ascertained. On the liabilities side, creditors were readily assessed, and easily verified by calling for statements from the individual creditors.

In an article of this length one can only summarise and set out the major points. It has taken the reader only a very short time to read the last few paragraphs; with the limited effort available at the time, many months of toil went into producing that initial statement of affairs. The value of the assets was approximately £160 million.

Establishing Accounting Conventions

At the same time as the initial statement of affairs was in course of preparation, a considerable amount of effort was being devoted to the setting up of codes of accounting practice which the Authority was to follow.

In the first instance, agreement had to be reached with Treasury on the form of accounts to be presented to it for audit. These accounts follow very conventional lines and in themselves have only limited value to management, since they offer little information on the activities of the organisation. Although the pattern of the Authority accounts is firmly fixed, Groups enjoy a considerable amount of freedom in the design of their own accounts, always provided that they are so arranged as to permit easy consolidation.

As a necessary follow-on from consolidation, definitions had to be agreed to ensure that common treatment of like items was accorded in all Groups, and consideration had to be given to such questions as "Where do mains services stop and 'buildings' (or 'plant') start?" Space does not permit discussion of all the questions that were posed, but the more important ones can be mentioned.

Probably first in the list was the need to distinguish clearly between capital and revenue. Eventually, it was decided that capital items must match the following three qualifications:

(i) they should cost £25 or more;
(ii) they should have an estimated life of five years or more;
(iii) they must be capable of separate identification throughout their estimated life.

The third qualification calls perhaps for some explanation. In the Authority, and especially in the Weapons and Research Groups, the creation of test rigs or laboratory "mock-ups", in which are incorporated many different types of equipment and which may change in character and build-up almost overnight, presents a particular

problem. In the circumstances, it was considered imprudent to capitalise laboratory equipment which could not be freely identified.

Closely allied to the definition of capital was the question of depreciation rates, and the consideration of obsolescence. So far as circumstances permitted, depreciation rates were lined up with those generally in use in industry. Special consideration had to be given to the plant and facilities of an essentially nuclear character; generally, novel plant and major experimental facilities were amortised over ten years. A recent review of depreciation rates has shown that, in the main, the original rates fixed were reasonable. Up to the present time no obsolescence reserve has been created, the practice being to review major plant at frequent intervals, accelerating the original depreciation rate where necessary. In some ways this practice is not considered altogether satisfactory, and consideration is being given at the moment to the creation of a separate obsolescence reserve.

Another factor closely associated with capitalisation policy was the treatment of unusual plant arising on a "one-off" basis from development contracts placed with industry. Very often it is quite impossible to separate the production costs from the design and development costs, and in many instances the design and development effort is by far the greater part of the contract. The line has been taken that it would be unreasonable to capitalise the full cost, and where the production cost cannot be determined, an assessment of the intrinsic value of the ironmongery, excluding development, is capitalised.

There was also a need to establish an agreed drill for inter-Group transactions. A knock-for-knock system has been introduced to avoid unnecessary paper work arising from the movement of goods and services of small value. Other services are transferred at cost.

Costing

Earlier I said that the bare accounts as prescribed by Treasury afford little use to management. They convey nothing of the work of the Authority, and are little more than rather unexciting history. In the Authority more than this is expected of the accounting machinery, and there has grown up in each Group a comprehensive costing system, individually tailored to meet the special operations and needs of that Group. In the Industrial Group, for instance, there is a great need for process costs; in the two Southern Groups information is needed on the cost of scientific projects, and a different form of costing has evolved. Use is also made in all Groups of job costing (for workshops) and of construction costs (for capital installation and the like).

As one might expect in a new industry, many novel considerations present themselves, some of which are capable of several different answers. There is the problem, for instance, of costing a reactor which may be used primarily as a research tool, but which is used also for production (of radioisotopes) and in which space may be rented to outside customers. How does one determine the rent of a reactor to ensure that weight is given to relevant factors such as diameter of the channel to be used, the proximity of the channel to the centre of the pile (desirable sometimes, but not always), whether the channel is horizontal or vertical (affecting the ease or otherwise of loading and unloading at the pile face), the neutrons absorbed, the effect on other experiments in the reactor, and so on? If a reactor is built primarily as a research tool, can one justify marginal costing for isotope production? And if not, what proportion of the reactor running costs should be charged to production? These are but a few of the difficulties of only one facet of costing the atom.

Over the years comprehensive costing systems, integrated with the financial accounts, have been evolved at all Groups, and whilst we are not yet satisfied that the ultimate has been reached, we have gone a long way to achieving high standards.

Mechanisation

When the Authority broke away from the Ministry of Supply, little was inherited in the way of mechanised accounting, mechanisation at that time being restricted to simple—and often out-of-date—keyboard machines which covered no more than wages and stores accounting. It soon became apparent that a great deal of clerical effort was being wasted on functions that lent themselves to mechanisation and that, because of the slow and cumbersome methods employed, a great deal of information was being lost to management. Early steps were taken, therefore, to review all fields of work and to introduce mechanical aids on a greater scale. The older and less reliable keyboard machines were replaced by better models, and their scope was extended. In addition, punched card installations were introduced into all Groups, and the systems gradually extended to embrace stores accounting, stock recording and control, costing, and many other functions.

Some two years ago a computer study group was set up within the Authority, with representatives from each Group, to investigate the possible application of computers to administrative processes and to co-ordinate current and future punched card applications in all Groups. As one would expect in a large scientific and engineering organisation, there already exist in the Authority several computers engaged on scientific and mathematical problems. Some of these are analogue computers and are quite unsuitable for accounting work; nevertheless, others are adaptable to commercial needs, and whilst it has been recognised that it would not be desirable to rely on "spare" scientific time for the accountants' needs, it has been possible to acquire a good deal of practical experience and knowledge of fairly advanced types of machines. There is also the prospect of using the scientific machines as an insurance when computer applications are more fully introduced into the commercial field.

At the moment, there is a period of marking time in the development and implementation of new accounting systems in the organisation. Many changes both in

systems and in management organisation have taken place since the Authority was formed, and it is considered wise at this point to devote a year or so to consolidation of those changed fields before breaking fresh ground. We look forward, however, to a not too far distant future when greater use will be made of these new tools available to us.

Internal Audit

In the early days of the Authority there existed only a very small nucleus of an internal audit department, which was inadequately staffed to play its rightful role in management. The contribution to be made by a properly staffed internal audit department, briefed and trained to look beyond simple and routine ticking of the books, has been acknowledged. A strong team of experienced accountants has been brought together whose functions are recognised to be the examination of principles as well as the detailed investigation of records stemming from those principles. The internal audit staff are also available to accountants in the Groups for consultation on systems, as well as for special investigations.

Conclusion

A great deal of progress in accounting has been made during the short life of the Authority. The main objective of establishing sound principles of commercial accounting has been achieved, and a considerable amount of streamlining and improvement of routine functions such as bill-paying, payrolling, stores accounting and so on has also been accomplished. But a great deal remains to be done: there still exists great scope for improvement to the existing methods, and doubtless fresh problems will continue to present themselves in a new industry such as ours.

Accounting in the G.C.E.

—and for University Matriculation*

By E. B. Butler, Lecturer in Economic Statistics, University of Southampton

Our contributor cogently argues one view on the inclusion of accounting in the General Certificate of Education and as a matriculation subject. We think it right to add that a substantial body of opinion takes the opposite line. A number of the universities are known to oppose the admission of accounting at the Advanced G.C.E. level to the list of subjects for matriculation. There are members of the accountancy profession who would agree with those universities, and others who would not like to see accounting in the school curriculum, preferring schooldays to be reserved for non-vocational subjects.

SEVERAL OF THE Examining Boards for the General Certificate of Education allow accounting to be taken at Ordinary level; only one—the Associated Examining Board—allows it at Advanced level. In 1958, only ninety-seven boys and girls took the Advanced level paper: the percentage of passes was slightly lower than the average in England and Wales for all subjects. The number of candidates taking the subject at Ordinary level, or passing in it, is not available.

Though so few candidates take the Advanced level paper in accounting, it is noteworthy that in recent years the number has grown. For several reasons it seems likely to continue to grow: for example, the paper of the Associated Examining Board will become more widely known; the increase in the number of secondary modern pupils taking Ordinary level papers at school is likely to lead to a subsequent increase in the number of former pupils of those schools taking Advanced level papers at Technical Colleges and similar institutions, where accounting would be a common choice.

The G.C.E. is the main means of matriculating. Before anyone can be a candidate for a university place he must matriculate, though to matriculate is not to secure entrance to a university: in these days of competition for university places a candidate has normally to do better than that. Matriculation requirements are minimum requirements.

The universities differ in their requirements for matriculation, but it is usual to require a candidate from school to have passed in five or six subjects in the G.C.E. The subjects typically include English, a foreign language and mathematics (or an approved science) and two subjects taken at Advanced level, no subject counting at both Ordinary and Advanced level. The subjects

* This article arises out of the consideration now being given by the Board of the Faculty of Economics in the University of Southampton to the possible inclusion of Accounting as a matriculation subject. I wish to thank Professor W. E. Armstrong, Mr. S. I. Benn and Mr. H. Hart, F.C.A., for their willingness to discuss points which arose.

which may be offered must normally be selected from a prescribed list, and from this list accounting is usually excluded.

A fairly general recognition of accounting as a matriculation subject by the universities would give an impetus to the growth in the number of candidates sitting for the subject at Advanced level, although most schools would always have to make special arrangements, such as securing the part-time services of a local accountant or Technical College teacher of accounting, for pupils who wanted to study the subject. What kinds of issues are raised for the universities by a proposal to make accounting a matriculation subject?

No profession of comparable importance has as small a proportion of university graduates among its membership. The reduction in the period of articles required of graduates from five years to three years and, since 1945, the "Universities Scheme" operated by twelve universities, under which exemption from the professional Intermediate examination may be obtained by graduates who have followed an approved course including accountancy, economics and law and the degree and professional qualification thus secured in 5¾ years, are indeed meritorious steps. But the proportion of graduates among newly-qualified chartered accountants is still only about 14 per cent. compared with 9 per cent. before the war. The Universities Scheme is partly responsible for that small increase, though the percentage would be expected to grow merely as a consequence of the larger proportion of young people now going to university.

Those who claim that the breadth and rigour of a university education are a valuable preparation for a professional career cannot wish to see perpetuated amongst accountants so small a proportion of university-trained people. Would recognition of accounting as a matriculation subject help?

To an outsider it seems reasonable to suppose that recognition would *at present* (and the qualification is important) make only a minor contribution. Some practically-minded boys who, on obtaining the necessary Ordinary level qualifications, now leave school to become articled clerks at the age of sixteen or so might, if Advanced level accounting were a matriculation subject, be encouraged to stay longer at school with the object of eventually entering the accountancy profession as a graduate—feeling, as at present they cannot, that their study was furthering both their professional and academic ambitions. But this consideration could hardly tip the balance in favour of a university career for more than a few young people. To take up articles immediately on obtaining the necessary Ordinary level qualifications is to be faced with a further five years before qualifying professionally; to decide to be a graduate accountant is to contemplate almost eight further years of preparation—two more at school to obtain university entrance requirements and 5¾ years under the Universities Scheme (or three on a university degree course and three years in articles).

Suppose, however, that the academic qualifications required of boys intending to become chartered accountants were raised to include two passes at Advanced level? Many practically minded boys, intending to be accountants, would no doubt offer accounting as one of their Advanced level subjects. If the subject also counted towards university matriculation, interest and success in their Advanced level work might well encourage some of them to try to gain admission to a university to take an approved degree course. On the other hand, if they found accounting not to their taste their pass in the subject would have helped them to matriculate and, so long as their result was sufficiently good, to secure a university place to read another subject.

So far as increasing their impact on the accountancy profession is concerned, it is fair therefore, to conclude that the universities have nothing to lose and something, perhaps much, to gain by recognising accounting as a matriculation subject.

Are there any objections to such recognition on the academic grounds to which universities rightly attach pre-eminent importance? Many academics think over-early specialisation is objectionable and would regard it as encouraged by the inclusion of accounting amongst the subjects acceptable for university matriculation. But surely it is no more objectionable for a young man intending to become an accountant to wish to devote some of his school study to a subject directly relevant to his subsequent career than it is for an intending physicist, engineer, doctor, schoolmaster or priest—for all of whom the opportunity is now available—to wish to do so.

Many university departments, especially the scientific and technical ones, now scrutinise the results of successfully matriculated candidates not only for quality but for evidence of an adequate preparation to embark upon the particular degree course the department offers. The work for the degree is so demanding that even the good student cannot undertake it without a thorough grounding in the main degree subject or closely related subjects. Most candidates must therefore aim, in satisfying matriculation requirements, to advance at the same time their vocational interests, and accountancy students should, in fairness, at least be allowed the possibility.

However, the subject would not be offered for matriculation only by those intending to become qualified accountants. And the grounding that a subject gives in general culture, human understanding, intellectual application, analytical rigour and speculation to those who study it must be its main justification. A judgment must be made on accounting in these respects by accountants and, perhaps invidiously, by non-accountants.

For many people the widespread recognition of accounting as a degree subject will be sufficient academic warrant. On the other hand, law and engineering are in the same position. Some would claim that accounting is among the subjects in the study of which a certain maturity of mind is necessary, if it is

taught as calling for more than a fairly mechanical skill at manipulating figures.

A wholehearted acceptance or rejection of this "maturity of mind" argument is not, in the present context, necessary. The argument may be regarded as decisive against including amongst matriculation subjects accounting at Ordinary level but not against accounting at Advanced level, the study of which a young person would not normally begin until the age of sixteen. The question then is not the general academic merits of accounting but its academic merits for people between sixteen and eighteen years of age. Only experienced teachers, particularly teachers of commercial subjects, can answer with real authority. An outsider must speculate.

Accounting is a notable example of the application of rational thought to the daily round of buying and selling. Its study probably gives an insight into the processes of business more comprehensible to young people than the more abstract (yet more systematic) insights of economics. It has an interesting and venerable history. It encourages care and skill in the handling of figures; by giving guidance on everyday situations it helps, one may hope, to combat the pathetic inhibitions aroused amongst some pupils when confronted with figures. Double entry seems a comparatively comprehensible principle to young people. They can be brought to appreciate the wide implications of the basic truth that every sale is also a purchase. Accounting has many problems the consideration of which calls for ability in analytical and speculative thought, but many of them are problems that careful explanation can make intelligible to young people. Many teachers of economics, it is pertinent to say, have found the presentation of the transactions of the economy in national income accounts the best way of introducing students to economics.

Here is a formidable list of desirable educational features. In its light one may feel that the proposal to make accounting a subject acceptable for university matriculation has to overcome a (very proper) academic conservatism rather than objections based on the inherent deficiencies of the subject as a discipline for young people.

Yet a doubt remains. It is one thing to see that a subject could be of value educationally; it is another thing to be confident it is generally taught in such a way that it is. The Associated Examining Board makes a practice, one gathers, of introducing some questions into its Advanced level paper to encourage emphasis on speculation and analysis in the reading and teaching of accounting. An outsider cannot assess its success. But it does not seem unfair to think that accounting is usually taught with complete exclusion of all but its practical aspects, and that also there is amongst accountants a considerable body of opinion disdainful of the academic approach to the subject, even when all necessary practical aspects are duly inculcated.

Those Minute Books

By a Barrister-at-Law

THUMBING IDLY THROUGH the pages of his most vital piece of evidence, whilst his opponent was addressing the court, counsel for the defendant company was surprised and, it must be conceded, not a little dismayed to find on the inside of the back cover of the minute book a stationer's mark for the year 1957. In the normal way the stationer's mark has, like the flowers that bloom in the spring, nothing to do with the case, but the significance of the chance discovery on this occasion was that the minute book was to be produced in evidence of the meetings of the company for the year 1954. Although the record appeared to be otherwise unimpeachable, this piece of carelessness on the part of his clients prompted counsel to interrupt the proceedings with a request for an adjournment, and subsequently to seek a settlement of the dispute.

There is nothing wrong, of course, in writing up neatly in a better book, as resolutions, counter-resolutions, amendments and second thoughts, the material discussed and agreed upon at a meeting, on which at the time the secretary, or his deputy, could take only scrappy notes. The business men who constitute the average Board of a company are intelligent but lack the expertise in presentation that the secretary, if he is to present for posterity a valuable record, must possess. If the directors had had experience of keeping minutes they might so frame their opinions and proposals that the final minutes would more nearly represent a verbatim report of what occurred.

The method outlined is the normal procedure, approved in all the best textbooks, and assumed by the Companies Act. The notes are taken contemporaneously, are then cleaned

up by the elimination of grammatical errors and finally reduced to the style fancied by the secretary (or possibly the chairman). They are then read over, approved and signed at the next meeting. Resolutions may be prepared in advance when an important step is to be taken, such as an increase of capital, but it should be remembered that unless the resolution is formally passed it may be evidence only of an agreement to follow the line of action recommended. A resolution ought in fact to be made a somewhat technical process if it is likely to be challenged later by adverse interests.

It is normal practice to leave the signing of the minutes until the next meeting. The reading then allows the opportunity for any amendments to be moved by a fresh resolution, for the minutes should not be altered after signature. Apart from this, it is manifestly more convenient that the secretary's recollection should be confirmed, as far as memory allows, by members at a later meeting. The reading of the minutes also refreshes memories and brings everybody back to the point at which they left off. This is only a matter of convenience and if the minutes are required earlier, as evidence before a court, for instance, the chairman may sign them.

But is this procedure *always* followed? Is the chairman *always* so clearly in control of things that every resolution of the Board is duly proposed and seconded, carried in its original form or duly amended; and is it always clear who has expressed himself in the final vote on one side or the other? Is the secretary *never* away from a meeting? Is there always a careful note made of emergency meetings between the directors? Or are the hasty scribblings of the chairman sometimes put into shape later and entered as formal minutes by the introducution of what the journalists cheerfully call a little intelligent guesswork?

If such a thing does ever happen, it is probably in an unimportant matter, and is saved by that splendid legal maxim which even the best-regulated circles are entitled to invoke at times —*omnia rite esse acta praesumuntur*: everything is presumed to be done correctly if it appears correct on the surface. Minutes of Board meetings, as opposed to minutes of general meetings of the company, are not open to inspection by the public or even by the members.

A little tidying up, however, is a vastly different thing from a complete re-writing of, perhaps, a non-existent minute book for a period of some years back. It is one thing to say "We remember that we did it, so we must put the record straight." It is quite another to say "We ought to have done it so we had better say that we did." Minutes are accepted as evidence of things done because they are supposed to be contemporaneous records, and once it is shown that they are not, there is nothing in the rules to exclude other evidence of what was in fact done. Worse still, the conclusion may be drawn that nothing was done at all. Which is exactly why counsel of the opening paragraphs sought his adjournment.

What does it all matter? Very few companies go to the courts, and in any event if the minute books are required as evidence and are lacking in any respect the Board can still come along in bulk or singly and tell the court that, notwithstanding this one regrettable omission in the record, the necessary resolution was in fact passed. The answer to this is that, quite apart from Section 145 of the Companies Act, which requires minutes of both company and Board meetings to be kept, it is not only the courts that are likely to make difficulties. Even without recourse to the courts, difficulties can arise from unrecorded, informal agreements between the Board or the company and one of the members. A question of special remuneration for one of the directors may be left in the air, or a sphere of duties of a director or manager may be left without a proper definition in the records. Where it is a question of agreements between the company and a member of the Board it is undoubtedly best to have the records in order.

Nor is this the only matter in which the minutes may prove vital. Although it can be said as a general rule that the mind of the Board is the mind of the company, the operation of the Landlord and Tenant Act of 1954 has shown that the company may need for some purposes an "intention" of its own, even if it cannot possess its own thinking mechanism. A landlord company may sometimes obtain possession of premises at the end of a lease if it "intends" to occupy the premises for its own business. Such an intention can best be evinced by a resolution, and on occasions a resolution has been found essential.

There is another point of much greater practical importance, at least for the smaller companies. Everything is presumed, they say, to be rightly done. The courts presume, the public presumes, the Board presumes, even the auditor presumes. (He is a watchdog, sheepdog, hot dog, etc., as the examination papers will tell you, but not a bloodhound); but does the Inspector of Taxes presume?

Not so very long ago the director of a small company took his wife with him on a business trip to Australia. The company paid her expenses because she was, as all agreed later, a help to her husband on the social side during the trip. The Inspector of Taxes, however, wanted to charge her expenses as remuneration, and the High Court Judge made the pertinent observation that there was no evidence that the good lady had ever been asked by the company to go. There is no minute of such a request, observed his Lordship, and the Inspector of Taxes won the day on that point. (He lost on one or two other small points, incidentally.)

Nor is this an isolated example of an unfortunate slip. The owner of several small companies was recently assessed to tax on the profits which he was alleged to have made on dealings in motor cars. "These dealings," he said, "I admit, but they were not made for my personal profit, but on behalf of several of my companies." The Commissioners regretted, but there were no minutes . . . Putting little scraps of paper in order may be a tiresome business for the man who likes to get things done, but often enough it means money saved or won.

Accountant at Large

Another Leap Year

NEXT MONTH HAS a twenty-ninth day; let us, then, talk of leap years, and the calendar.

The calendar of 365¼ days adopted by Julius Caesar, which had a leap year every fourth year, was found by Pope Gregory XIII to be approximately 11 minutes too long. This overlap caused the Julian calendar to "run slow" when compared with the annual journey of the earth round the sun, a journey which a calendar purports to record. By the sixteenth century the spring equinox was falling on about March 11, instead of March 20 or 21 which it was supposed to do—the actual day depending on how many years had elapsed since the last leap year. There is an old rhyme about the festival of St. Barnabas, which falls on June 11: "Barnaby Bright, the longest day and the shortest night"—a reminder of the error of 10 days.

In 1582 Pope Gregory took steps to correct the error, first by advancing the date of the Julian calendar by 10 days to bring it in time with the sun. He also adjusted the length of the year by dropping three leap years every 400 years. A number of continental countries made the change at that time, but it was not until 170 years later that the Gregorian correction was adopted in this country. By that time the error had grown to 11 days, A.D. 1700 having been reckoned a leap year in England, although not in those countries which had already adopted the Gregorian calendar.

The English calendar was advanced in 1752 by 11 days, Wednesday, September 2 of that year being followed immediately by Thursday, September 14. In the Gregorian calendar all years divisible exactly by four are leap years, except the "century" years, which have to be divisible exactly by 400 to rank as leap years. The 1751 Act "for Regulating the Commencement of the Year and for Correcting the Calendar now in Use" spares no effort to emphasise this rule:

> . . . be it further enacted by the Authority aforesaid, That the several years of our Lord, One thousand eight hundred, One thousand nine hundred, Two thousand one hundred, Two thousand two hundred, Two thousand three hundred, or any other hundredth year of our Lord, which shall happen in Time to come, except only every Fourth hundredth year of our Lord, whereof the year of our Lord Two thousand shall be the first, shall not be esteemed or taken to be Bissextile or Leap Years, but shall be taken to be common years, consisting of Three hundred and sixty five Days and no more.

The Act continues with the comforting pronouncement that the years Two thousand, Two thousand four hundred, Two thousand eight hundred and every other Fourth hundredth year of our Lord shall be esteemed and taken to be Leap Years, consisting of Three hundred and sixty six days.

Under the same Act, the year was to begin on January 1 from 1752. For some five or six centuries before then, the official year in England began on March 25, although for some time before the Act, January 1 was being popularly recognised as New Year's Day. Samuel Pepys writes a number of times on December 31 from 1659 to 1669: "Thus ends this year." To avoid confusion, dates from January 1 to March 24 were often written as January 31 1664/5, the "historical" year being one ahead of the legal year. Scotland was more than 150 years ahead: there January 1 became the official beginning of the year from 1600.

There is an old but little known formula for ascertaining the day of the week for any date in the present century (including 1900). Its application, for example, to Christmas Day, 1960, is as follows:

Last two digits of year	60
Add their one-fourth part (ignoring fractions)	15
Add the "month number" (see below)	6
Add the day of the month	25
	106
Divide by 7	15+1 remainder

The remainder gives the day of the week, counting Sunday as 1, Monday 2, and so on. A remainder of 0 is equal to 7 and represents Saturday.

The "month numbers" for the months January to December respectively are: 1, 4, 4; 0, 2, 5; 0, 3, 6; 1, 4, 6. In leap years, the numbers for January and February respectively are 0 and 3 instead of 1 and 4.

For dates in the nineteenth century (or more accurately, from January 1, 1800, to December 31, 1899), 2 should be added to the total before dividing by 7, and for the eighteenth century (from September 14, 1752) add 4.

The same formula may be used for any year under the Julian or "Old Style" of reckoning by adding the following numbers appropriate to the centuries:

A.D.	*Add*	*A.D.*	*Add*
1700–2.9.1752	1	1300–1399	5
1600–1699	2	1200–1299	6
1500–1599	3	1100–1199	7 (or 0)
1400–1499	4	1000–1099	8 (or 1)

A paper given at the Residential Conference on Management Accounting of the London and District Society of Chartered Accountants, held at Pembroke College, Cambridge, last September.

The Use of Variances

By F. T. Hunter, F.C.A.

BEFORE CONSIDERING THE use of variances it would be useful to spend a few minutes considering just what a variance is, and the different types and kinds of variance that can be developed. You cannot, I think, really appreciate the use of variances unless you have a clear picture of the purpose that the particular variance was intended to serve. That sounds like a classic glimpse of the obvious, but I hope this paper will show that it is not quite as obvious as all that.

It is not possible in a comparatively short paper, and to a gathering drawn from all sizes of undertaking, to propound all the different considerations that apply to the types of business with which each one of the audience is familiar. Obviously the accounting, be it management or any other kind, required for a tobacconist is not the same as that required for a steel works. It has been assumed, therefore, that the type of business in mind is a medium sized manufacturing unit, with reasonably competent and progressive management and accounting.

As the paper is on the use of variances nothing will be said on how they are calculated, or on the mechanics of book-keeping required to operate a control system of the type envisaged.

It is assumed that all present accept that both not only can be done but can be done accurately enough for all practical purposes.

Meaning

The dictionary defines the word variance as "a state of being varied, an alteration, a change of condition." That definition is not quite adequate in describing just what an accountant means when he talks about a variance.

Certainly an accountant means "difference" when he says "variance," but he does not necessarily imply that anything has been varied or altered in itself. The variance may only be the result of the comparison of two conditions, neither of which has changed or varied in itself, but which have produced a variance or difference merely by the accident of their meeting at a certain point in time.

Neither is there in general any idea of disagreement, in the sense used in the term "to be at variance."

Variances are differences arising from the comparison of two conditions, either actual or potential, and may be good, bad or indifferent. What may at first sight appear to be good may in fact be bad, and vice versa. Often the variances are so interacting that some thought is needed to decide where the good and bad lie. The point is that variances cannot always be taken at face value, and acted upon, without a little research into reasons.

Types

Variances arise from a number of causes, and the analysis of a total variance into individual causes can be carried almost to any lengths which the detail information available, or the managing director's patience, will allow. Accountants, being as bemused by their own technique as anyone else, probably tend to produce too many. A variance is only as valuable as the action it generates.

The basic types however into which variances fall are not many and are:

(*a*) *Spending*—for example, buying something at 5s. each when the standard is 4s. each.

(*b*) *Waste*—for example, using ten feet of steel bar when the standard is eight feet (akin to spending and precisely similar in effect).

Both of these types could, of course, show gains and not losses.

(*c*) *Recovery of Production Cost*
This is a slightly more difficult concept. At the performance adopted as 100 per cent., the rates are set to recover exactly the budgeted expenditure. It is clear that a performance better or worse than 100 per cent. will result in a recovery, in respect of part of the total cost, at a figure greater or less than that part total cost, because the rates at which the recovery is calculated would not be changed from the standard rate. Only a part of the total cost is involved because some parts of the cost will move up or down as performance goes up or down. This is not the place to discuss the variability of variable costs but there are not, in fact, so many which move precisely in ratio with performance, and problems of treatment in the accounts can arise.

(*d*) *Sales Prices*
This is self-explanatory assuming that it is possible to set standard selling prices at the outset.

(*e*) *Sales Expense Recovery*
This is precisely similar in effect to the production cost recovery, but the calculation would, in general, be based upon volume of sales and not volume of production, and would be concerned with selling expenses and not manufacturing expenses.

(*f*) *Sales Mix*
A difference in profitability because the sales achieved are made up of numbers of products other than that expected.

All of these variances will be one or the other of:

(1) A difference between a standard and an actual.

(2) A difference between two standards.

It is obviously not possible to have a difference between two actuals, unless you are in the position of keeping two sets of books.

Type Dictates Action

It is fairly clear that the action required as a result of a variance depends very much upon its type. A cost recovery variance resulting from a period of slow working requires quite different remedial action from one resulting from the managing director's decision that he must have two secretaries instead of one. It follows that the analysis of variances ought to be adequate to pinpoint the correct action, although, despite accountants, there are frequent instances where nothing like enough analysis is practised.

Object of a Variance

Why are variances calculated? There are two reasons:

(*a*) To show what happened, and to point the way to the appropriate action, if any, demanded from management. The aim is to have a rapid signal when something goes wrong.

(*b*) To compute a cost. The cost is either the cost of a production process or the cost of a product, or both. There is endless controversy among accountants about this. In the majority of cases the "actual" cost of a product is not important, nor does it mean very much, nor can it be calculated with any real degree of accuracy, but it is sometimes hard to persuade managing directors and accountants that this is so.

There is not much doubt, however, that the use of a variance to point the way to management action is far more important than to calculate an "actual" cost.

For a variance to achieve its object properly, it should be the result of carefully and objectively developed standards. In the early stages of developing a control system it may not be possible to develop proper standards, and something more "hit-and-miss" may have to be accepted as a start. Proper standards should, however, be set up as soon as reliable data are available.

It is not uncommon for the proper standard to be known but to be incapable of achievement for a year or so for this or that reason. What ought to be and what must be for the time being should be clearly distinguished, and the reports should show what the cost of the current position is compared with what it will be in due course.

Broadly, variances are a signal to somebody to do something, although at times the action is only a decision that nothing can or should be done.

Nature of Variances

While variances fall into the types mentioned earlier, there is a further possible segregation into groups by nature.

Some variances are of an operating nature, in that they are not planned and are not, therefore, expected but are the result of the production processes behaving in a non-standard manner.

It is, perhaps, a slight exaggeration to say that they are not expected, because it is perfectly certain that operating variances will occur, but the point is clear that whatever happens is something not precisely foreseen which probably requires managerial action of some kind.

But there are variances that result from policy decisions. Management decides to do something, knowing that a variance will be created. The calculations are made and the plans laid in the knowledge that if the plans work out, the variances will be of such and such dimensions, and there will be more or less profit.

An example would be the decision to start some overtime. The result should be a favourable volume variance (the additional recovery of fixed expense) offset by the extras inevitably incurred such as overtime premiums. The calculations can be made showing just what the answer ought to be and whether the overtime will be economic. You may be forced to do it even if uneconomic but at least the cost can be known in advance.

Reports to the various levels of management should recognise this point and refrain from showing on a statement to a foreman something that was expected to happen as a result of a policy decision in the Boardroom.

This facility to calculate variances in advance enables the accountant to say what will happen if this or that policy decision is put into effect. It enables the managing director very often to decide positively what he should do, rather than take a leap in the dark with all fingers crossed.

While variances are often the means of showing that something has gone wrong and of suggesting (if no more) what the action should be, this facility of deciding in advance what will happen can be of much greater use to management. It is, however, probably still fairly true that managerial decisions are too frequently merely hour-by-hour expedients taken at a comparatively low level. Managements do not make enough use of the data available to them, neglect to plan ahead properly, and the floor superintendent is forced to decide policy, or snippets of policy, without any real knowledge (because he has not the broad view necessary) of what really would benefit the undertaking.

Levels for Action

In a decently run organisation the responsibility for using variances should be fairly clearly established. "Who" uses "what" ought to be known, and, human nature being what it is, some degree of control to ensure that "the right man" takes the right action is necessary.

Variances of an operating nature at floor level—for example, speed of working—are the responsibility of the foreman. He should understand what the variances mean and the result that should be achieved from the possible actions open to him. He has a task set for him in the form of a production programme, and the staffing required to achieve it.

Anything that happens at his level which shows that the programme is falling behind should be looked into and acted upon.

To illustrate an apparently good variance which is in fact bad, there might be a gain under the heading of "rates of pay," but production is falling or perhaps scrap is going up. The reason may be the employment of too low a grade of operator with a consequent slow rate of output or high degree of spoiled work.

The implications of this sort of thing and many others should be known to the foreman quite clearly.

Provided the standards are still valid the foreman should strive to maintain those standards, or beat them.

At a higher level, the works manager will keep an eye on the factory floor through summary reports and inquire into faults, with the expectation that the foreman concerned has done something reasonably sensible. But the works manager will also be concerned with some degree of policy—not general business policy but probably policy starting at the production programme

level. He should know enough to be clear what should happen, and the financial effect of this or that action at his level.

The degree of authority given to a works manager obviously varies enormously from works to works, but his main job is to turn out the products to time and in the right quantities and he usually has some fair freedom as to how he does it.

Higher up the chain of command, the managing director would keep an eye also, but a more summarised eye, on what was going on down below, but his main concern ought to be whether the general plan is working out. He ought not to be fussing whether there was too much lost time somewhere. He hires works managers and foremen for that; and if they want to keep their jobs they will take the action required.

The managing director will keep an eye on sales, on research, on design, and each and every department. But it ought to be a summarised eye all the time. He will pay attention to things like volume variances which show whether the business is running reasonably to the general plan.

The sales manager will look at variances such as sales price and sales mix, with an interest in the production side of a broad kind. He should not fuss unduly about scrap but he should fuss about an obvious slow-up in production.

Without trying to list every possible variance and put a responsibility against it, there is a clear trend from the operating detail on the shop floor towards policy in the Boardroom, with each level up in the chain being less interested in physical events themselves, which someone lower down should be dealing with, and more interested in their effect on the general business well-being.

Put another way round, at factory floor level the variances are used to show where action is required to adhere to standards, whereas in the Boardroom variances in summary form are used to decide whether standards are still valid.

Reporting—In What Terms

One of the methods whereby each level of management is informed of what is going on, and why things happen, is by regular reporting. Obviously the report to a foreman would be in detail and that to the managing director in broader terms.

A loss of production, for example, could be due to teething troubles in the machining of new design parts. To the foreman would go details of just where things had gone wrong (he would, or should, know this physically, anyway, before any financial statements came out) but to the managing director might go some such report as "trouble was experienced in this period in the machining of new parts for product X but these have now been overcome and the position has steadily improved."

While it is common to think of variances in terms of money, at the lower levels the first reports and calculation of variances would be in physical terms.

Production statistics are usually prepared fairly rapidly and would show the results in terms of hours, men and things. A report showing a speed of production of 95 per cent. (meaning 5 per cent. less than budget) is a report of a variance just as much as showing that the loss of recovered cost of that 5 per cent. was £650.

Most of the financial statements at floor level are merely putting into money terms facts already known and probably acted upon.

The decision whether to use physical or money terms would largely depend upon the recipient and whether his thoughts on the particular subject were more likely to be in terms of one or the other.

The accountant will ultimately convert everything into money because he has to keep the books, and sooner or later some accounts, in a common medium understood by everyone.

The accountant, while using the variances to report to management and indicate what has happened and often what the remedy should be, has another very important use for them.

All money spent by an industrial undertaking (even, in theory, if it is not a manufacturing undertaking) is work-in-progress until the goods or service have been delivered to and invoiced to the customer.

But most systems which have as a part the development of variances will have some form of standard costing.

The transfer from work-in-progress to cost of sales to profit and loss will be at standard cost.

It is essential, therefore, to the accountant that the debits and credits to work-in-progress should be the same.

Some of the differences come out automatically from the control statements, volume, speed, spending, use of production capacity and so on, and are written off. There are some hidden ones, however, which have to be watched, such as method changes, unrecorded scrap, or changes in standard times.

Without going into all the details, the accountant provided he traps them all can keep the variances out of his work-in-progress account and can maintain it at all times at the same standard values as he will use when the product is delivered to a customer, and he needs to assess the cost of sales.

Main Uses

While six types of variance were listed, and two groups, there are three main uses.

1. The day-to-day physical control of the undertaking, the putting into effect on the factory floor of the detail plans broken down from the master plan, and seeing that everything going wrong is corrected.
2. The formation, and constant adjustment where required, of the main policy of the business.
3. Correct accounting.

All uses are necessary to the continued well-being of the undertaking, and it is not possible to say that one is more important than any other.

Variances are signals for action and there is no point at all in producing them if no one does anything. They should never be allowed to become ignored.

Everyone at his own level should know that the next man up will also see them and ask questions. But, at all costs, the idea that variances are a whip should be avoided. The use should always be constructive. This is not to say that a well-merited rebuke should not be administered, but there is a world of difference between intelligent use of variances as a guide to the future and avoidance of past mistakes, rather than a reason for screaming with rage whenever something doesn't go quite to plan.

Indirect Uses

Probably in any system of management accounting which produces variances there will be a number of indirect uses to which the variances are put.

An example would be a supervisors' bonus scheme where an incentive was given to supervisors for good rates of performance but all relevant variances were taken into account. It would be comparatively easy for a supervisor to push up his performance regardless of cost. If, however, the excess costs incurred over and above those budgeted were set against the incentive value of the higher performance the supervisor would be much less keen to plunge ahead regardless.

Another indirect use is the conversion

of a standard product cost to an alleged actual cost. If the variances are expressed as percentages of the standard costs (not necessarily one percentage for everything) and added thereto, something approaching an actual cost may emerge.

This is included, however, as an indirect use because it seldom has much value in the day-to-day running of a business, and more often than not is only done to satisfy the whim of some executive who refuses to understand clearly what a standard product cost is, and what a variance is.

If the variance is temporary, and has been eliminated for the future by management action, little purpose is usually served by trying to relate it to products.

If the variance is permanent, due to a change of circumstance, standards should be changed, although the variance might be carried as such until a year ends.

Practical Examples

Having, so far, propounded theory only without examples, it would perhaps be useful to look briefly at a few figures and have some idea of their use.

There are four statements attached:

(*a*) Production statistics.

(*b*) Departmental operating statement.

(*c*) Summary operating statement.

(*d*) Profit and loss account.

The circulation of these would be to the different levels of management on these lines.

(*a*) To the foremen, with a summary to the superintendents and works manager.

(*b*) To superintendents, with a summary to the works manager and discussion with foremen.

(*c*) To the managing director.

(*d*) To the managing director and perhaps the sales director.

What do the statements show to each of these executives?

The statistics tell the foreman that he produced a greater volume of work than was expected, but at a slower speed, and also that the floor losses were not as much as expected. He knows, therefore, that some of his gains were thrown away because speed fell somewhere. Perhaps he realised this was happening during the week—but perhaps he didn't.

In practice some additional information would be given such as numbers of operators, hours of overtime and so on: to analyse fully the reasons for the 9 per

FORM A

PRODUCTION STATISTICS Week 11 (59/60)

XYZ LTD. COST CENTRE 42

Shift Hours	*Surplus Hours*	*Possible Productive Hours*	*Floor Losses*	*Actual Productive Hours*	*Standard Hours Produced*
1	2	3=1−2	4	5=3−4	6
1,200	180	1,020	255	765	1,377

Volume		*Speed*		*Use of Capacity*	
Actual $7=\frac{6}{\text{budget}}$	As percentage of Budget	Actual $8=\frac{6}{5}$	As percentage of Budget	Actual $9=\frac{5}{3}$	As percentage of Budget
109%	109	180%	90	75%	107
Budget		Budget		Budget	
1,260 (Standard hrs.)		200%		70%	

FORM B

DEPARTMENTAL OPERATING STATEMENT Dept. 6

XYZ LTD. Period 3 (59/60)

Cost Centre		*Recovered (Standard) Cost* £	*Allowed Cost* £	*Actual Cost* £	*Total Vce.* £	*Analysis* *Vol.* £	*Extra Allce.* £	*Speed* £	*Use of Cap.* £	*Expense* £
Mills	39		1,260	1,300	−40		−25	−15		
Drills	40		580	545	35		−12	40		7
Centres	42		1,132	1,150	−18		−15	−20		17
Capstans	60		260	320	−60		−30	−10		−20
Direct Labour		3,232	3,232	3,315	−83		−82	− 5		4
Expense										
Supervision			520	530						−10
Lost Time			100	105						− 5
Service Labour			275	270						5
Consumables			142	145						− 3
Scrap			263	275						−12
Electricity			215	213				−30	28	4
		1,600	1,515	1,538	62	85		−30	28	−21
Recovery of Fixed Expense						36	−20	−50	34	
Total Expense		1,600	1,515	1,538	62	121	−20	−80	62	−21
Departmental Total		4,832	4,747	4,853	−21	121	−102	−85	62	−17

FORM C

SUMMARY OPERATING STATEMENT Period 3 (59/60)

XYZ LTD.

Department		Recovered (Standard) Cost £	Actual Cost £	Total Vce. £	Analysis: Vol. £	Extra Allce. £	Speed £	Use of Capy. £	Expense £	Material: Price £	Material: Use £
Tool Room	1										
Heat Treat	2										
Grinding	3										
Sheet Metal	4										
Springs	5										
Machine Shop	6	4,832	4,853	−21	121	−102	−85	62	−17		
Assembly	7										
Manufacturing		47,830	47,581	249	1,620	−342	−250	525	1,304		
Works Expense											
Administration		23,079	22,809	270	770	−148	−66	142	−698		
Selling											
Material		3,500	4,800	−1,300						−840	−460
Total		99,259	100,060	−801	3,006	−627	−472	803	−2,211	−840	−460

1. In practice, accumulating figures would almost certainly be provided.
2. The appropriate figures for departments 1-5 and 7 and for works expense and selling (here left blank) would be entered in a similar manner
3. No useful purpose is served by showing "allowed cost" on this summary.

FORM D

PROFIT AND LOSS ACCOUNT

XYZ LTD. Period 3 (59/60)

	Actual	*Budget*
Sales	102,000	100,000
Standard Cost ..	85,700	85,000
Standard Profit ..	16,300	15,000
	(16%)	(15%)
Variances		
Volume ..	3,006	
Extra Allowances ..	−627	
Speed	−472	
Use of Capacity	803	
Expense ..	−2,211	
Material ..	−1,300	
	−801	
	£15,499	

1. This account has almost certainly been over-simplified.
2. It ignores controversial points such as whether selling expenses should be in standard costs, or whether volume variance should be held up until sales take place.
3. Subject to such points as those in 1 and 2 above, the account shows exactly the same profit as would be shown by an orthodox profit and loss account

cent. increase in production this information would be needed.

The foreman will also (because most foremen get to understand the implications quite clearly) know that he should see the reflection of the ups and downs in the recovery of fixed expenses, and he will know that his lack of speed will show up as a loss of money in the wages section of the operating statement, because some of the wages are paid for attendance and not for output.

NOTES TO TABLES

1. These forms are not put forward as models. They are merely illustrating some principles. For example, it is arguable that a volume variance should not appear on a departmental operating statement.
2. There is no significance in the figures, other than relationships.
3. The precise form of presentation depends on the undertaking concerned. For example, it is common to have a number of cost centres grouped into a budget centre with one operating statement, but this practice is not necessarily of universal application.

But the point to appreciate is that tht mere knowledge of the balance of outpue being more than expected is not enough. The analysis of the variances has shown that the result could have been even better if the speed had not dropped.

Why did it drop? Can it be corrected? If so, correct it and eliminate that amount of loss.

There is a simple example of a variance having a use of value to management.

Turning to the departmental operating statement, a quick look at the total variance of £21 might lead one to say "insignificant" and to pass on to the next department.

But hidden away are some valuable facts. Extra allowances are being granted, and almost certainly because they had to be granted, work was slower than standard. What are the reasons?

Apart from extra allowances speed was down in three of the cost centres. Can this be stopped? Are rates too tight, or is there something else causing trouble?

Each of the foremen will probably have dealt with some at least of the

faults each week from the statistics, but the operating statement highlights the money effect, and ultimately it is money profit that counts.

A difference of 2 per cent. may be worth 9d. but it might be worth £1,000. It is easy to be misled.

The superintendent looking at this statement has a clear guide as to what to inquire into, which he almost could not have known any other way.

Why did the Capstan Section spend almost 10 per cent. more on wages than budget?

The summary operating statement repeats in departmental totals the facts contained in the other statements, but it shows the managing director that he would have had much more profit if

(*a*) There were no extra allowances;
(*b*) speed was up to standard;
(*c*) the spending was at standard levels;
(*d*) there was not something alarming in materials.

The statement shows him where to start probing. Again, merely looking at £801 total variance means nothing of any value on a standard cost of nearly £100,000, but there are some significant facts hidden away. Only an analysis of variances by reason shows where the faults lie.

Are the standards reasonable or is the business trying to fool itself and building a plan which is not possible of achievement?

Subject to a few checks of the kind touched upon earlier, the accountant puts £99,259 into his work-in-progress account, writes the rest off, and knows that almost his only other sources of loss of money can now be:

(*a*) Unrecorded damage or loss in the finished part store or on the assembly floor.
(*b*) Stealing.
(*c*) Obsolescence.

But he can also show the managing director what the effect is going to be if the faults are not corrected. He can bring up to date the expectation for the current year.

The profit and loss account is probably not very helpful without some analysis of sales and cost of sales. The standard profit is 16 per cent. against an expectation of 15 per cent., but some analysis may show some significant ups and downs between one product and another, so that an unusual rise of sales may have an appreciable effect, or, as in this example, the "ups" have just kept ahead of the "downs."

But to a monthly Board meeting, which might not see the summary operating statement, it does show that there is more in the situation than merely an increase of profit of £199 over the expected 15 per cent. on sales of £102,000.

At each level, therefore, these very simple examples of variances have illustrated the three main uses cited, which were:

1. day to day physical control;
2. policy making;
3. correct accounting.

While these examples have shown one week and one period only, use of accumulations, moving annual totals, and so forth, would be necessary to distinguish temporary and permanent variances, or what results have been achieved from corrective action. Action today does not always have any result immediately.

Conclusion

In conclusion, a useful and concise summary of the considerations to be borne in mind is contained in Volume 1 of Mr. Warwick Dobson's work *An Introduction to Cost Accounting*. He says:

"1. The ultimate use of variances is not to provide exercises in arithmetical gymnastics but to assist the manager to do his job better.

2. The manager wants to know whether his results are improving or deteriorating and, if they are deteriorating or improving, why they are deteriorating or not improving fast enough.

3. As a mass of figures tells nobody anything of value, the temptation to analyse out and present variances to the smallest element should be resisted.

4. The variances presented to a manager should be selected carefully in order of importance, because no manager can correct every adverse tendency at one and the same time.

5. In explaining variances, the cause, not the symptom, of the variance should be provided to the manager. It tells a plant superintendent nothing to say that the consumption of boiler fuel was greater than standard—the reason for it being more than standard must be provided.

"In brief, one must be selective and avoid calculating unimportant variances. That, of course, does not mean to say that the cost accountant should not know what variances can exist and how they should be calculated and explanations sought."

Taxation

Emoluments of Office or Employment

IT IS A principle of law that a payment may be liable to income tax in the hands of the recipient although it is voluntary on the part of the persons who make it, and that the test is whether, from the standpoint of the person who receives it, the payment accrues to him in virtue of his office. If it does so accrue, it is liable to tax, no matter whether it was voluntary or compulsory on the part of the persons who paid (Sir Richard Henn-Collins, M.R., in *Herbert* v. *McQuade*, 1902, 4 T.C. 500, where grants to a clergyman from the Queen Victoria Clergy Sustentation Fund in augmentation of the income of his benefice were held to be assessable as profits accruing to him by reason of his office). Similarly, a gift raised by voluntary subscription among his friends, mainly members of the congregation, were held to be income of a minister (In *re Strong*, 1878, 1 T.C. 207), as were Easter offerings (*Cooper* v. *Blakiston*, 1908, 5 T.C. 347).

Where a director of a company settled a block of shares on trust for such of the employees of the company as the directors should from time to time direct "in consideration of past or future services and with a view to promote the prosperity of the company", it was held that an employee who received the shares was assessable on their value, since the receipt was linked with his office (*Patrick* v. *Burrows*, 1954, 35 T.C. 138).

Benefit Matches

While all payments made to the holder of an office or employment as such, i.e. by way of remuneration for his services, even though the payments may be voluntary, are taxable, a mere gift or present (such as a testimonial) which is made to him on personal grounds and not by way of payment for his services (*Reed* v. *Seymour*, 1927, 11 T.C. 646 per Lord Cave) does not come in this category. In the *Reed* case, the money received by a professional cricketer from a benefit match on the eve of his retirement was held to be a "once for all" payment after very long service and after a long career spent in entertaining the public.

In the words of Lord Justice Jenkins in *Wright* v. *Boyce* [1958] T.R. 228, the professional cricketer received his payment at the proper time for receiving a testimonial, i.e. on the eve of retirement. His Lordship examined the principles of assessment of voluntary payments in *Wright* v. *Boyce*. That case concerned a huntsman who was employed by the master of the hunt but who received cash payments at Christmas time from a collection made from the hunt followers, the constitution of the hunt being nebulous in the extreme. It was shown that there was a widespread custom in the hunts in most parts of the country to make such cash gifts. The huntsman got them by virtue of his office or employment. They were not paid to the huntsman as an individual but to the person who held that office on the particular day, usually Boxing Day, when the gift was made. Moreover, it was a regular annual event. The circumstances were distinguished from those of the professional cricketer. "I do not think that any question of a testimonial or of admiration, respect or regard for the outstanding personal qualities of (the individual) can well come into the matter. One does not, I apprehend, start giving testimonials to huntsmen as soon as they are engaged. The time when one would expect a testimonial is on the huntsman's retirement. I am far from saying that, if he did retire and on the eve of his retirement a testimonial by way of a collection of money was organised in his favour, that would necessarily be taxable; but the regular character of the subvention does, to my mind, strongly support the view that the payment is made to the holder of the office or employment as such and not to the particular individual holding it on personal grounds" (Jenkins, L.J., *ibid.*, page 229). His Lordship's reason is really the same as that on which the Easter offerings, etc., were held to be assessable: they went to the recipient by virtue of his office, not as a gift on personal grounds, though his personality might affect the quantum of the gift.

It is to be noted that in the *Reed* v. *Seymour* case, the Crown sought tax on the benefit contributed by the County Club as representing the gate money paid at the benefit match, but made no claim to tax on the direct subscriptions of the public. In the judgments and speeches, however, it was observed that there was no valid distinction in principle between the two. Seymour had a contract which did not include any right to a benefit, although there was a practice to give benefits after long and distinguished service, but the arranging of benefits was entirely at the discretion of the club, as was the method of disposition of the sum subscribed, which was usually invested for the cricketers. In a case concerning a cricket league professional, his contract provided for a salary, plus talent money based on batting and bowling feats and for collections made for meritorious performances in accordance with the rules of the Lancashire Cricket League. The collections therefore arose out of the terms of the employment and were held to be assessable (*Moorhouse* v. *Dooland*,

1954, 33 A.T.C. 410). It appears that collections for amateurs are not taxable; they are not employed in the game.

The benefit money paid to a professional footballer has also been held to be assessable (*Davis* v. *Harrison*, 1927, 11 T.C. 707; *Corbett* v. *Duff*, 1941, 23 T.C. 763). "As . . . the Football League regulations indicate, the payments, though not obligatory, are expected, are generally asked for, and are usually accorded. They are made after a certain number of years' service and are stated to be for loyal and meritorious services and in special circumstances to be in lieu of a presumed accrued share of benefits . . . the only difference between the *Harrison* case and the *Corbett* case is that in (the former) a formal agreement . . . had been entered into (in respect of the benefit), but that agreement was not acted upon, and the (cases are) really on all-fours . . . ". (Lawrence, J., in *Corbett* v. *Duff*, page 778).

Board, Lodging and Meals

In certain employments, it is customary to provide board and lodging —e.g. nurses and domestic servants —in others certain meals. Unless a cash allowance can be taken in lieu, these items come under the principle stated in *Tennant* v. *Smith*, 1892, 3 T.C. 158: " . . . the Act refers to money payments made to the person who receives them, though, of course, I do not deny that if substantial things of money value were capable of being turned into money they might for that purpose represent money's worth and be therefore taxable" (Lord Halsbury, L.C., page 164). " . . . (Schedule E) . . . extends only to money payments or payments convertible into money (Lord Macnaghten, page 170). This principle has been varied by statute in respect of benefits of directors and higher paid employees, and is not conclusive in the case of rent-free residences, but still appears to apply in other instances.

Where, however, a deduction is made from the salary for board and lodging or meals, or a money allowance is made for them, the amount is taxable (*Cordy* v. *Gordon*, 1925, 9 T.C. 304; *Machon* v. *McLoughlin*, 1926, 11 T.C. 92). A clothing or uniform allowance is an emolument of office (*Fergusson* v. *Noble*, 1919, 7 T.C. 176) though there is usually a corresponding deduction in respect of the expenditure.

Luncheon and other Meal Vouchers

It was stated in Parliament in January of last year (see our issue of February, page 85) that the Inland Revenue took the view that the majority of meal vouchers in use today were taxable, but that the extra-statutory concession under which vouchers had not been taxed would continue for the time being, subject to (*a*) the vouchers being non-transferable and used for meals only; (*b*) their being available to lower-paid staff whenever any restriction was placed on their issue to employees; and (*c*) vouchers issued to an employee were not to exceed 3s. for a full working day. On a voucher for more than 3s. which satisfies the other conditions the employee is taxed on the excess over the 3s. limit. It is not understood why a voucher for 3s. differs from one for, say, 5s. so long as it can be used only for the purpose for which it is issued. Common sense dictates some upper limit, but possibly by disallowance in the payer's accounts as not expended wholly and exclusively for the purposes of the trade rather than by assessment on the employee.

Tips

Though their "voluntary" nature may be debatable, tips from persons other than the employer are regular features of many employments and are assessable as emoluments (*Calvert* v. *Wainwright*, 1927, 11 T.C. 646 —the taxi-driver's case). They are not given on personal grounds other than for services rendered.

Share Options

See ACCOUNTANCY for October, 1959 (pages 541–4).

P.A.Y.E. in Eire

A SYSTEM OF P.A.Y.E. is being introduced in the Republic of Ireland as from October 6, 1960. (*Income Tax—A New System for the Taxation of Salaries and Wages*, Stationery Office, Dublin, price 2s. net.) The scheme incorporates (*a*) a method of tax collection fundamentally similar to the British P.A.Y.E. but modified to suit Eireann conditions and (*b*) an alternative simpler method involving the use of stamps, intended to suit employers having small numbers of employees with steady earnings.

Modifications of the United Kingdom system are:

(*a*) neither code number nor tax tables will be required; and

(*b*) the figures of cumulative tax-free pay (that is, tax-free allowances) will be printed on each employee's tax deduction card, the range of cards being minimised by taking steps of £13 for persons paid weekly (£12 for monthly payments); tax-free allowances will be rounded up to the nearest multiple of £13 or £12 as the case may be and underdeductions will be adjusted in the following year's tax-free allowances.

To meet these simplifications, the income tax code is also to be simplified for all taxpayers as follows:

(*a*) earned income relief will be one-fourth (income limit £1,800);

(*b*) reduced rates will be abolished;

(*c*) in compensation for (*b*) the personal allowances for unmarried and married persons and for widows (and widowers) will be increased by £84 each to £234, £394 and £259;

(*d*) the rate of tax on each £1 of chargeable earnings will be 5s. 3d. so long as the standard rate remains at 7s. 0d. If the total earnings exceed £1,800, the effective rate on chargeable earnings will be 5s. 3d. in the £ on such earnings up to £1,800 and 7s. 0d. in the £ on the excess; and

(*e*) life assurance relief will be given as an addition to tax-free allowances. For policies taken out after May 21, 1953, the allowance will represent two-thirds of the eligible premiums; for other policies, one-half. (Relief for pre-June 1916 policies will not be altered.)

As the second instalment of Schedule E tax is due on July 1, 1960, a transitional provision is that deductions under P.A.Y.E. will not commence until the first pay day after October 5, 1960, but taxpayers will be given only half their allowances for the period from that date to April 5, 1961, thus ensuring that only one year's tax is paid in the year.

To prevent an unfair advantage being taken of the fact that the earnings of the year to April 5, 1960, will not be used as a basis of assessment, any exceptional remuneration of the period between April 6, 1959, and October 5, 1960, will be specially charged to tax. Apart from that, the liability will in general be adjusted after the end of the year 1960/61 to ensure that tax will be charged on one-half of the total remuneration for that year.

The tax-free allowances will be arrived at from a return required from every employee earning more than £6 a week (£312 a year where not paid weekly) if engaged full-time, or £1 a week if engaged part time. (£312 less earned income relief equals the unmarried personal allowance.) The Inspector will supply the employee with a certificate of his tax-free allowances and the employee will give the certificate to his employer to enable him to use the appropriate tax card and to deduct the right amount of tax. If no certificate is produced, the employee will be treated as a new employee (see below). Registers will be kept of employers and of employees. Employers who keep adequate wage records and undertake to keep them intact for at least three years will be allowed to enter yearly totals on the cards or other acceptable document designed to suit the accounting arrangements of the business. On a change in the tax-free allowances, the Inspector will supply a new card to which the totals to date will be transferred.

As in the United Kingdom, small amounts of untaxed income may be charged by deducting the assessments in arriving at the tax-free allowances. Formal Schedule E assessments will normally be needed only where the employee is liable to surtax, or requests an assessment, or where the emoluments received in the year differ from those assessable—for example, where commissions, bonuses, and so on are paid in arrear. Assessments will be on the income of the year of assessment.

A new employee will have tax deducted in the first place as if he were unmarried and entitled only to a personal allowance. If he does not produce a certificate of tax-free allowances within four weeks, tax must be deducted from the whole remuneration.

Where both husband and wife are in employment, the Inspector will allow the wife's additional personal allowance against the wife's earnings and apportion the married and other personal allowances between husband and wife on the basis of the preceding year's earnings, unless the spouses require some other division.

A stamp book for each employee will be provided for employers having a small number of employees with regular fixed earnings. Stamps obtainable at Post Offices will be affixed for the amounts deducted, rounded down to the nearest shilling. Each stamp book will cover three months. Where this system is used, the employer will make no refunds of tax; any repayment will be made by the Inspector.

The tax cards will be headed as shown below.

The figures in column (4), showing cumulative tax-free allowances, will already be printed on the cards.

Week No. (1)	*Week's pay gross* (2)	*Cumulative pay gross* (3)	*Cumulative tax-free allowances* (4)	*Cumulative taxable pay* (5)	*Cumulative tax* (6)	*Week's Tax* *Deducted* (7)	*Week's Tax* *Refunded* (8)

Taxation Notes

Estate Duty—Gifts of Government Securities

Certain British government securities escape estate duty if in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom. The chief securities in point are the 3½ per cent. War Loan; 4 per cent. Funding Loan 1960–90; 4 per cent. Victory Bonds; 3 per cent. War Loan 1955–59; and certain National War Bonds, Defence Bonds and Savings Bonds. It may not be generally realised that in the case of a gift *inter vivos* the exemption depends on the domicile and residence of the donee, not on those of the donor. If, however, the donee has parted with the securities, the exemption does not apply. No individual partner can be held to own securities belonging to the firm; his asset is his interest in the firm, not in the individual items making up its net worth.

Capital Allowances

It does not seem to have been generally appreciated that the refusal by the Revenue of capital allowances on

soft furnishings used in business has for some years been relaxed in the case of carpets, curtains and linoleum. Accordingly, investment, initial, annual, etc., allowances are available on these items. Other soft furnishings are dealt with on a renewals basis, though even there it is arguable that investment and initial allowances should apply. (Compare the judgments in the House of Lords in *Hinton* v. *Maden & Ireland* [1959] T.R. 233.)

Credit Traders—Income Tax

The National Federation of Credit Traders has agreed with the Revenue a method of computing credit traders' profits which takes into account the expenses of collection by valuing good book debts at less than par. It is to be noted that, in the case of a credit sale, the property in the goods passes immediately to the customer and the full amount of the sale should be brought into the accounts as soon as the sale is completed.

The direct expenses of collection (direct payments to or on behalf of the collectors, such as wages, commissions, national insurance and travelling expenses), reduced by a fraction (normally 1/5th) to eliminate the expenses of selling and other activities carried out by the persons engaged in collection, are to be expressed as a percentage of actual collection for the accounting period. This percentage is to be applied to the good book debts at the end of the period—that is, after deducting bad and doubtful debts—in order to arrive at the provision for collection costs.

Illustration:

	£
Wages, commission, national insurance and travelling expenses	3,500
Less 1/5th	700
	£2,800
Collections in accounting period	£28,000

$$\frac{2{,}800}{28{,}000} = 10 \text{ per cent.}$$

Book debts	12,500
Less Provision for bad debt	500
	£12,000
Provision for collection charges 10 per cent. of £12,000 ..	1,200
Provision at beginning of period	1,000
Chargeable against profits ..	200

This basis is optional to the trader, who can continue on his existing agreed basis. If he changes to the newly agreed basis, he can calculate the opening provision for the period of change and proceed from there.

The Canadian Estate Tax Act

The Canadian Tax Foundation (154 University Avenue, Toronto, 1, Ontario) has published *A Review of the Estate Tax Act*, by W. Ivan Linton, Administrator of Estate Tax (price $1 net). The Act (Chapter 29 of Statutes of Canada, 1958—obtainable from the Queen's Printer, Ottawa, price 35 cents) applies to deaths on or after January 1, 1959, and has made considerable changes in the law. A major change is that real property outside Canada is no longer exempt from duty. Gifts *inter vivos* remain chargeable if made within three years of death.

In the case of joint property, the contributions made by the deceased cease to be relevant; what is taxable is the property in which he had a beneficial interest that passes on his death. Thus, if a house was jointly owned half-and-half by the deceased and his wife, only half would pass on his death even if he had provided the whole purchase price (unless the purchase was within three years of the death or there was a reservation of benefit).

Where a partner has agreed that on his death the surviving partners can purchase his share for less than the fair market value, the whole market value is taxable, but the survivors will have to pay the duty on the difference. The amount taxable is reduced to the extent that consideration had been given by the survivors to the deceased.

All benefits by way of pension or death benefit, even if voluntary, arising on the death are taxable, with certain exceptions—such as pensions arising out of war service. In connection with life assurance, the previous test was whether the assurance was purchased or provided by the deceased; it is now, broadly, whether it was owned or controlled by him, even through a company controlled by him. Where a trading company has insured itself against the loss of the deceased's services, there is exempted an amount equal to five years' net trading earnings of the company.

If the deceased has allowed a debt due to him to become statute-barred within three years of death, the debt is liable to tax on its value at that date—that is, if the debtor had no assets, the debt would be valueless.

A general power of appointment exercised within three years of death is taxable. A disposition by a company controlled by the deceased is regarded as made by him.

Deductions in computing aggregate taxable value are allowable for:

(*a*) $40,000 for a single person;
(*b*) $60,000 for a man survived by a wife;
(*c*) $10,000 for each dependent child;
(*d*) $15,000 for each dependent orphan,

The estate of a woman survived by an infirm husband only would have a deduction of $40,000; if she were survived by an infirm husband and a dependent child, $70,000. The deductions are increased by 50 per cent. if the deceased was killed on war service.

Certain credits are given for Provincial taxes, gift taxes and foreign taxes, in that order. Any foreign tax up to the amount of the Canadian tax on doubly taxed property is allowed as a credit—that is, there is unilateral relief where no double tax convention exists. If the aggregate net value of an estate is less than $50,000, no tax is payable; if it is between $50,000 and $53,056, the tax is half the difference between $50,000 and the net value. No tax is payable if the amount is less than $25. In all but exceptional circumstances (such as fraud or failure to disclose) discharge from liability is automatic at the end of four years from the notice of assessment or notification of "no tax payable." On property not passing through the executor's hands, the beneficiary is liable for the tax, but

the executor is required to use any property passing through his hands to the beneficiary to pay that beneficiary's tax so far as such property is sufficient. A beneficiary is allowed to pay the duty on an annuity by six annual instalments except to the extent that it is payable by the executor. Tax on a reversionary interest can be paid at any time up to the time it falls into possession and on the value at the death; interest (rate to be specified by the Minister) has to be paid from six months after the death. Overdue tax will be charged with 5 per cent. interest. Refunds carry interest at 3 per cent. unless as a result of an appeal to the Tax Appeal Board of the Exchequer Court, when the rate is 5 per cent.

In determining values, no allowance is made for future income tax. In valuing shares of a company in which the deceased and relatives by blood, marriage or adoption had a majority, that fact is taken into account. If the deceased himself did not control the company and he and related shareholders acted at arm's length, then a minority valuation may operate.

Gifts *inter vivos* which have been disposed of are valued at the date of their disposal; if the donee died before the donor, gifts are valued at the date of the donee's death. Bonus shares issued after the date of gift are included with the gift. Quick succession relief is given where two deaths occur within five years; the rates of relief are 50, 40, 30, 20 and 10 per cent., the same as in the United Kingdom save that there is no higher rate than 50 per cent.

The Act provides for rates of tax of 10 per cent. on the first $5,000 of the amount taxable, 12 per cent. on the next $5,000, and progressively higher rates on subsequent slices. On an amount taxable of $2 million the tax is $816,500, and any excess over $2 million is taxed at 54 per cent.

In respect of persons domiciled outside Canada a flat rate of tax of 15 per cent, is charged on the value of property in Canada. No deduction is allowed for debts other than those specifically charged against Canadian property. This provision avoids the complicated calculation formerly needed. If the Canadian assets do not exceed $5,000, no tax is payable.

We look forward to the day when a new Estate Duty Act is passed in the United Kingdom and hope that an equally informative explanation may be published by the Inland Revenue or with their blessing!

Taxation in the Isle of Man

In the Isle of Man the standard rate of income tax is 4s. 6d. for 1959/60 (to April 5). Reduced rates: £250 at 2s. 3d., £250 at 3s. 0d., £250 at 3s. 9d. Earned income relief: one-quarter of first £1,200, one-fifth of next £800 (maximum allowance £460); age allowance (in the case of a single woman or a widow the age limit is reduced to sixty): total income not exceeding £750 — one-quarter (marginal relief tax on £750 plus one-half excess income); personal allowances: £200 plus £150 for wife; additional personal allowance: three-quarters of wife's earned income, maximum allowance £110; children: allowances as on mainland; housekeeper: £100; dependent relative: £100; life assurance relief: half of standard rate on premiums paid in previous year (maximum premiums one-sixth of total income).

National Insurance Act, 1959—Entry of National Insurance Numbers and Christian Names on 1959/60 Tax Deduction Cards

We reproduce in full a leaflet issued by the Inland Revenue:

The National Insurance Act, 1959, provides for the introduction of a system of National Insurance contributions graduated according to earnings for employed persons earning more than £9 a week. These graduated contributions will be payable by both employer and employee and will be collected through the P.A.Y.E. machinery by the use of tax deduction cards. Flat rate National Insurance contributions payable for these and other employees will continue to be collected by stamping cards (or in the other approved ways used by large employers). The collection of graduated contributions is planned to begin in April, 1961, and full information and directions will be sent to employers later.

In the meantime certain preliminary arrangements are necessary to enable the Ministry of Pensions and National Insurance to prepare and maintain a record of the graduated contributions of each employee for the purpose of assessing his entitlement to any additional pension. Each tax deduction card for 1961/62 and subsequent years must therefore bear the National Insurance number of the employee to whom it refers when it is sent to the Collector of Taxes.

As far as possible, the Tax Office will enter the National Insurance number on the tax deduction cards for 1961/62 and subsequent years before they are issued to employers. This can only be done if employers have co-operated by first notifying the National Insurance numbers of their employees to the Tax Office in time for the numbers to be included in the records used for the preparation of the tax deduction cards for 1961/62. To facilitate identification of employees by the Ministry of Pensions and National Insurance, and to minimise enquiries to employers, the Tax Office will also need a record of the Christian names of employees.

You are therefore asked to insert employees' Christian names and National Insurance numbers on the tax deduction cards for the current year 1959/60 other than those of employees who have left your employment during the year, and on any emergency cards in use at April 5, 1960, before you send the cards to the Collector of Taxes after April 5, 1960. The Christian names and National Insurance number should be copied from the employee's National Insurance card (all the letters and figures of the National Insurance number as shown at the top of the card should be included). The Christian names should be entered on the tax deduction card as near as possible to the surname. The National Insurance number should be entered in any available space on the front of the card, as near as possible to the top—for example, in space "(a)" or "(b)" at the top left hand corner of a card P9 or P11, or in the blank space below "Superannuation Contributions" on a card P9(S) or P11(S).

This request is being sent to you now to enable you to do this work at any time convenient to you before the tax deduction cards are returned to the Collector.

These preliminary arrangements do **not** apply to employers who either (1) retain the tax deduction cards issued by the Tax Office and supply equivalent documents to the Collector at the end of the tax year or (2) send to the Tax Office at the beginning of the tax year, for entry of the code number, tax deduction cards (or equivalent documents) on which they have themselves entered identification particulars. These employers need take no action on tax documents in use in the current year; details of the changes they will be asked to make in their arrangements for the year 1961/62 will be sent to them later.

Enquiries about the general nature of the graduated pension scheme should be addressed to your local Pensions and National Insurance Office, where Leaflet N.I. 111—*A Guide to the New Graduated Pension Scheme*—may be obtained.

More detailed information will be issued in due course.

Patents

The Inland Revenue has issued a revised copy of the *Explanatory Notes on Patents and Income Tax* (leaflet No. 490 (1959)). Copies are available on request from tax offices. It is to be hoped that this is a forerunner of the issue of up-to-date reprints of all the notes so far issued and also of notes on other aspects of taxation.

Child Allowance and Ages

It was held in *Re Shurey, Savory* v. *Shurey* [1918] 1 Ch. 263, that an individual attains his majority on the first moment of the day before his twenty-first birthday anniversary. The Revenue regards a person born on a certain day as being of a particular age as from the commencement of the previous day but as not being over that age until the certain day. Therefore, a child born on April 6 is regarded as attaining a particular age on April 5 and is therefore over that age on April 6. A child born on April 6, 1948, is therefore regarded as being over eleven on April 6, 1959. (This particular example concerns the size of the child allowance.)

Income Tax Penalties

As reported on page 47 in the proceedings of the last meeting of the Taxation and Research Committee of the Institute of Chartered Accountants in England and Wales, the Council of the Institute has authorised the sending of a letter to the Chairman of the Board of Inland Revenue in regard to the review of the penalty provisions of the Income Tax Acts. In accordance with its usual policy, the Council is not releasing for publication the terms of the letter until the Chairman of the Board and his advisers have had full opportunity to consider the points raised.

Estate Duty on Widows' Pensions

The Association of Superannuation and Pension Funds has issued a leaflet to its members after discussions with the Estate Duty Office (E.D.O.). Where a pension is payable during the lifetime of the widow and is not cancelled in the event of her remarriage, funds not offering an actuarial valuation may value the pension on the basis of the Succession Duty Act tables; if that valuation is over £3,000, the E.D.O. on application will furnish its opinion of value based on tables supplied by its actuarial advisers (the tables are not available to the public). The Inland Revenue now accepts the view that a pension which ceases on remarriage has a relatively low value, say (unless it is guaranteed for a number of years) two years' purchase, though if the widow is over sixty other considerations are taken into account.

Double Taxation Relief

Her Majesty's Stationery Office has now published *Double Taxation Relief: Tables of Effective Rates of Income Tax 1959/60* (price 1s. 3d. net), for finding the effective rate on incomes ranging from £7 to over £188,120 after deducting personal allowances, including earned income allowance ranging from £140 to £1,989. The tables do not include the effective rate of surtax, which must be calculated separately.

Clitas

Release No. 56 of *Current Law Income Tax Acts Service*, dated November 19, 1959, brought to subscribers the changes in income tax law introduced by the Finance Act, 1959, and the Income Tax (Repayment of Post-War Credits) Act, 1959. In the profits tax section, subscribers will welcome the incorporation in the text of a number of relevant cases from the Digest.

Recent Tax Cases

Income Tax

Company—Deductions from profit—Licence to carry on business—Annual payments under licence—Payment for release from obligations of licence—Whether such payment a revenue payment or a capital payment—Income Tax Act, 1952, Schedule D.

In *Cowcher* v. *Richard Mills and Co., Ltd.* (1927) 13 T.C. 216 a lessor agreed to accept surrender of a lease in consideration of a sum to be paid by the lessee company by instalments of £250 a year. The company issued a debenture to the lessor securing the instalments by a floating charge in all its assets. At the end of five years the lessor accepted a payment of £600 from the company in satisfaction of all further liability under the debenture. It was held that the £600 was not an admissible deduction in arriving at the company's profits. Similarly, in *Mallett* v. *Staveley Coal and Iron Co., Ltd.* (1927) 13 T.C. 772, it was held that payments made by a colliery company to its lessor in consideration of his accepting the surrender of one mining lease and of part of the area demised by another mining lease, and his releasing the company from its obligations under the first lease and in respect of the area surrendered under the second lease, were sums paid in respect of the fixed capital of the company and not payments made for the purposes of its trade of winning and selling coal.

Both the above decisions were applied in **Dain v. Auto Speedways, Ltd.** (Ch.

1959, 52 R. & I.T. 760). The taxpayer company carried on the business of promoting motor-cycle speedway racing in the Midlands and in the course of its business on June 21, 1950, was granted by C. a licence under seal to use a stadium owned by C. for a period of seven years with an option to renew for a further period of three years. The company paid C. a lump sum of £5,000 (of which £3,400 was in respect of transfer fees for riders and £1,600 was in respect of goodwill of the speedway business at the stadium) and agreed to pay an annual fee of £2,500. The business was not a success and on January 2, 1951, the company entered into a written agreement with one S., the agent of W., that W. should take over the rights and liabilities under the licence. However, C. would not agree to the assignment of the licence as they desired to retain the right to call on the company for the annual fee of £2,500. The company therefore remained liable to pay that fee to C. but it sold the right to promote speedway racing at the stadium and the goodwill of the speedway business, together with all its speedway equipment and the services of all its riders used and employed at the stadium, to W., who operated the stadium and agreed to pay the amount of the annual fee to the company.

Following the agreement W. made two quarterly payments to the company and the company made the payments to C. It failed to make the quarterly payment due in December, 1951. Before February 5, 1952, S. had obtained control of C. and of W. On February 5, 1952, by a deed of release C. released the company from all obligations under the original licence and the company paid to C., as consideration for the release, the sum of £4,000 which it sought to deduct from its profits for income tax purposes as being a revenue payment. The Crown by way of concession allowed £625 of that sum as a deduction in respect of arrears of the annual fee due at the date of the release.

Wynn-Parry, J., said that the licence for seven years, coupled as it was with an option to renew for a further three years, had been a substantial interest and ought to have been inserted in the balance sheet of the company as a fixed asset. The effect of the arrangement with W. had been that the company had got rid of the benefit of the licence. On February 5, 1952, the licence had been determined for all purposes and the company had been released from all obligations under it. Of the sum of £4,000 paid for that release £625 had represented arrears of the annual fee at the date of the release and the Crown was prepared to have the sum in issue reduced by that amount to £3,375. The deed of release had been brought into existence not in the least to enable the company to carry on its business at the stadium, but expressly for it finally and effectively to discontinue its business at the stadium, and the case fell within the *ratio decidendi* of the respective judgments of *Cowcher* v. *Richard Mills and Co., Ltd.* and *Mallett* v. *Staveley Coal and Iron Co., Ltd.* The General Commissioners having held that the £4,000 was a revenue payment, the Crown's appeal was allowed with costs.

Income Tax

Profits—Profits from farming business—Capital gains—Whether capital gains from non-taxable source.

In **Roberts v. McGregor** (Ch. 1959, 52 R. & I.T. 809), the appellant was a farmer whose capital and liquid assets between 1944 and 1955 increased substantially to an extent not explicable by reference to his statements of the profits of the farming business for income tax purposes. He claimed that during those years he had made a net gain of £24,005 from horse racing. The Inspector of Taxes being dissatisfied with that explanation of the capital gains, additional assessments to income tax were made for the years 1944/45 to 1954/55 inclusive. Audited accounts of the farming business were furnished annually from 1942 onwards: these were prepared by the taxpayer's accountant from wages books or lists, petty cash book for petrol and postage, bank sheets, bank paying-in counterfoils, cheque book counterfoils, stockbrokers' contract notes, invoices and receipts, and from information given orally by the taxpayer, who kept no cash book or other contemporary record of business transactions in respect of the farm, and paid betting wins or losses into and out of the same bank account as was used for business purposes.

The taxpayer appealed. At the hearing before the General Commissioners the following documents were put in evidence on his behalf: bank paying-in counterfoils, balance sheet and trading and profit and loss account for the year ended March 31, 1949, record cards and statements of the taxpayer's betting wins and/or losses transacted with bookmakers and turf accountants during part of the period under review, and letters on the subject of cash betting wins. The taxpayer's accountant gave evidence that he had completed the accounts from the best evidence and information available and he believed the accounts to be correct; but in distinguishing between business receipts and betting wins or other private transactions he had been guided entirely by the bank paying-in counterfoils and had not sought any outside evidence. He did not consider that the records were incomplete or inaccurate taken as a whole, although there might have been one or two errors of which he had not been aware when he prepared the accounts, and he would not have been surprised to find larger profits than those shown in the accounts from a farm of 237 acres. The General Commissioners found, as a fact, that the aggregate profits of the taxpayer's farming business over the period of twelve years had been underestimated by £10,000, and they determined the assessments accordingly.

The taxpayer appealed by way of case stated and it was contended on his behalf (*inter alia*) that the betting wins were evidenced by entries made by the taxpayer contemporaneously in his own handwriting in his bank paying-in books, corroborated by statements obtained from the bookmaker concerned over a substantial part of the period under review; and that, the taxpayer having produced *prima facie* evidence in support of his contention that his capital gains were the result of betting wins, the onus of proof was on the Crown to disprove that contention. It was said that it was quite impracticable for the taxpayer to produce independent evidence of every betting win or loss over a period of eleven years, and that there was no obligation on a taxpayer to keep detailed records of all his private and personal non-taxable transactions of that nature.

Vaisey, J., said that the onus of proof had been clearly on the taxpayer. The Commissioners had found categorically that they had not been satisfied that the whole of the £24,005 had been derived from betting wins, but they had taken the view that they had been justified on the evidence in considering that £14,005 had been derived from successful betting transactions. The appeal would therefore be dismissed.

Although in a few types of appeal there is a preliminary onus on the Revenue to establish a *prima facie* case—for example, where assessments have been made after the expiration of the statutory time limit on the ground of fraud or wilful default—before the General or Special Commissioners the

onus is generally on the taxpayer, as appellant, to try to prove that the assessment should be discharged or reduced. Moreover, the decision of the House of Lords in *Edwards* v. *Bairstow and Harrison* (1955) 36 T.C. 220 makes it plain that the Court will not disturb a finding of fact by the Commissioners unless they have drawn an incorrect inference from the facts through misdirecting themselves on the law. In view of the hazards of betting the appellant would appear to have done very well before the Commissioners, and the case is easily distinguishable from *Fowler* v. *Wilson*, noted in our issue of October last (page 548), where the Commissioners' findings concerning betting ttansactions were not clear. The decision is mainly useful as showing once again (since the Court is not at liberty to review the facts and substitute a different finding of fact) that there is not much point in appealing against a determination of fact unless that determination has been reached through a misconception of law. In other words, the virtual finality of some appeals before the Commissioners is insufficiently appreciated by taxpayers in general.

Income Tax

Double taxation relief—Double tax payable—Purchase of shares in Australian company—New or additional source of income—Case V assessment of dividends—Dividends liable to income tax in two years of assessment—Amount of credit allowed in respect of Australian tax—Whether credit available in each of two years of assessment—Income Tax Act, 1952, Sections 123 (1), 132 (1), 133 (1) (b) (c), 134, 347, Schedule XVI, paragraphs 2, 7 (2), 8 (3), (b), 9, 11, 13—Double Taxation Relief (Taxes on Income) (Australia) Order, 1947, Schedule, article XII (1).

Article XII (1) of the Schedule to the Double Taxation Relief (Taxes on Income) (Australia) Order, 1947, provides as follows:

> Subject to the provisions of the law of the United Kingdom regarding the allowance as a credit against United Kingdom tax of tax payable in a territory outside the United Kingdom, Australian tax payable, whether directly or by deduction, in respect of income derived from sources in Australia shall be allowed as a credit against any United Kingdom tax payable in respect of that income.

By paragraph 2 (2) of Schedule XVI to the Income Tax Act, 1952:

> The credit to be allowed shall be first applied in reducing the amount of any profits tax chargeable in respect of the income and, so far as it cannot be so applied, in reducing the income tax chargeable in respect thereof.

In **Imperial Chemical Industries Ltd. v. Caro** (Ch. 1959, 1 W.L.R. 1178), the company in 1952 subscribed for shares in an Australian company. This new holding of shares constituted either a new or an additional source of income under Section 134 of the Income Tax Act, 1952. The company received dividends from the Australian company amounting to £40,911 in September, 1954, and £52,600 in March, 1955. These dividends constituted income arising from a possession out of the United Kingdom and were thus assessable to United Kingdom income tax under Case V of Schedule D to the Act of 1952, Section 123 (1). Under Section 133 (1) (*b*) the Case V assessment for the year of assessment 1954/55 fell to be computed on the actual income of that year, that is, the dividends payable in the year ended April 5, 1955. As no notice was given pursuant to Section 133 (1) (*c*), the Case V assessment for 1955/56 fell to be computed in accordance with Section 132 (1) on the income arising in the year preceding the year of assessment, that is, also on the dividends payable in the year ending April 5, 1955. The dividends received also formed part of the profits of the company assessable to United Kingdom profits tax. The income from the two dividends being derived from a source in Australia on which Australian tax was payable, the tax charged was allowable as a credit against any United Kingdom tax payable in respect of that income by virtue of Section 347 of and Schedule XVI to the Income Tax Act, 1952, and article XII (1) of the Schedule to the Double Taxation Relief (Taxes on Income) (Australia) Order, 1947.

The Australian tax in respect of which credit could be given under the relevant enactments amounted to £64,836, and it was common ground between the parties that this credit had first to be set against the liability of the company to United Kingdom profits tax attributable to the dividends in question payable in the year ending April 5, 1955, and amounting to £15,624. The company claimed that it was entitled to a credit of the balance of £49,212 against the United Kingdom income tax payable in respect of the dividends in each of the years of assessment 1954/55 and 1955/56. It contended (*inter alia*) that the word "any" in the penultimate line of article XII (1) of the Schedule to the Order of 1947 raised an ambiguity; that income tax being an annual tax, it was proper to consider each of the years of assessment 1954/55 and 1955/56 separately for the purposes of claims under paragraph 13 of Schedule XVI to the Act of 1952, and that a consideration of the relevant legislation showed the intention of the legislature to grant relief for every year of assessment in which income was taxed both in this country and elsewhere.

Wynn-Parry, J., said that the amount to be "allowed as a credit against any United Kingdom tax" under article XII (1) of the Schedule to the Order of 1947 was clearly £64,836, and it was "that sum, and only that sum, and only that sum once" which could be used as a credit against the United Kingdom tax payable in respect of the two dividends. He was unable to discover any ambiguity in the word "any," and even if his construction of article XII (1) failed to give effect to what was described by Counsel for the company as the "manifest intention of the two governments to prevent double taxation," he could not, by reference to the English taxing statute and a consideration of its effect, create a greater sum of Australian tax than was made the subject of the operation of article XII (1). He therefore upheld the decision of the Special Commissioners and dismissed the appeal of the company. It is interesting to compare the argument based on the "manifest intention of the two governments to prevent double taxation" with a somewhat similar argument (in a different context) advanced in *C.I.R.* v. *Collco Dealings, Ltd., C.I.R.* v. *Lucbor Dealings, Ltd.* (1959, T.R. 245) which was also unsuccessful. These two cases were noted in our issue of November last (pages 612–3).

Income Tax

Charity—Society to promote festival of arts—Seven-year covenants by members—Members entitled to attend performances at reduced prices—Whether payments under covenants subject to conditions and counter-stipulations—Income Tax Act, 1952, Sections 447 (1) (b): 450 (2), (3).

In **Taw and Torridge Festival Society, Ltd.** (Ch. 1959, 52 R. & I.T. 775), the Society was incorporated on November 27, 1953, as a non-profit-making company limited by guarantee and not having a share capital. It was established to promote an annual festival of arts, consisting of the presentation of plays, ballet and concerts. It offered to

its members at different times all or some of the following privileges: (i) priority in booking for all events, (ii) one seat at a reduced rate for all concerts, operas and plays, (iii) free use of the festival rooms for patrons and artists, (iv) a reserved seat at certain functions, such as lectures and films, (v) an invitation to a reception to meet the artists during festival week, and (vi) a copy of the society's "news-letter" as and when issued. At all material times privileges (i), (ii) and (iii) were available to members. The privilege of obtaining a seat at the reduced rate, however, was not restricted to members, the same concession being granted where seats were booked for parties of ten or more individuals, or by *bona fide* students. In 1954 and 1955 the Society obtained for its members the non-exclusive use of the public lounge of an hotel at Barnstaple, and in 1956 and 1957 the non-exclusive use of the premises of the Barnstaple and North Devon Club.

The annual membership fee was £3 3s. and the Society organised five or six events each year. The maximum saving a member could make on admission to each event was 2s. 6d., or 15s. throughout the festival. There were three methods of paying membership subscriptions: (*a*) by remitting the subscription annually to the Society, (*b*) by banker's order, and (*c*) by seven-year deed of covenant. The deeds of covenant commenced with the words: "I wish to become a member of" the Society, and the operative part of the deed included the words:

> such sum to be paid from my general fund of taxed income so that I shall receive no personal or private benefit in either of the said periods from the said sum.

It was not disputed that the Society was a charity, and it claimed by virtue of Sections 447 (1) (*b*) and 450 (2) and (3) of the Income Tax Act, 1952, exemption from tax for the years 1953/54, 1954/55 and 1955/56 in respect of the annual payments made to it under deeds of covenant.

It was contended on behalf of the Society that (i) the rights of members were laid down by the memorandum and articles of association and those rights did not include the privileges referred to, (ii) the privileges afforded to members were not conditions and counter-stipulations undertaken by the Society in consideration of the members entering into deeds of covenant, and (iii) if the privileges did amount to conditions or counter-stipulations, the privileges were inconsiderable and not such as to taint the nature of the annual payments. The Crown, on the other hand, said that the covenanted sums were not paid without conditions or counter-stipulations, and that the privileges, and in particular that relating to the purchase of seats at reduced prices, were not so insubstantial as to be dismissed under the *de minimis* rule.

Wynn-Parry, J., said that the question before the Court was that put by Lord Evershed, M.R., in *C.I.R.* v. *National Book League*, (1957, 37 T.C. 455):

> looking at the substance and reality of the matter, can it be said that those who entered into these covenants have paid the sums covenanted without conditions or counter-stipulations?

Earlier in his judgment Lord Evershed had made it quite clear that each case of that nature turned on its own special facts. A point strongly urged as constituting a vital difference between the *National Book League* case and the present case was that in the deeds of covenant now before the Court there occurred the words "such sum . . . the said sum" (as quoted above, in the paragraph before the last). This phrase did not appear in the National Book League covenants; but the deed of covenant now in question was only one method of paying the annual subscription, and it was headed "Annual subscription by deed of covenant" followed by the words: "I wish to become a member (of the Society) . . .". The covenantor expressed a wish to become, not a special class of member receiving no privileges at all, but an ordinary member. The words relied on by the Society meant that the applicant for membership who paid his subscription by deed of covenant was to get no special personal or private benefits from the payments which he made, but that he became an ordinary member entitled to all such privileges as for the time being might be available to all the other members of the society.

His Lordship said that the only way in which the Society could hope to contend successfully that the Special Commissioners had been wrong in refusing its appeal was by showing that the doctrine of *de minimis* applied (that is, that the benefit received was insubstantial). It might at first appear that the privilege of obtaining seats at reduced prices was not very substantial, but it appeared very clearly from the judgment of Morris, L.J., in the *National Book League* case that one had to see what benefits were available to members, and an enthusiastic member, choosing to attend the ballets and plays over a year, could, in respect of his covenanted subscription of £3 3s., obtain a rebate amounting to 15s. In those circumstances the *de minimis* rule could not be applied. It appears, however, that nothing turned on the privileges arising out of minor activities of the Society, such as the promotion of a few lectures and the showing of films in the winter and spring of each year.

Estate Duty

Incidence—Property not passing to executor as such—Dispensing power—Power to appoint jointure—Appointment of jointure "without any deduction"—Whether appointment in excess of power —Whether jointress liable to contribute a rateable part of estate duty exigible on death of tenant for life—"Any express provisions to the contrary"—"Free of duty"—Meaning—Finance Act, 1894, Section 14 (1).

In **Re Lonsdale Wills Trusts** (C.A., 1959, 3 W.L.R. 879) the second Earl of Lonsdale, who died in 1872, by his will gave power to a tenant for life of the hereditaments thereby settled to appoint to any woman he might marry a rentcharge by way of jointure "not exceeding in the whole for any one such woman the yearly sum of £1,500" to be charged on such hereditaments. The third earl, who died in 1876, gave a similar power to jointure, the yearly sum in this case being £5,000. The sixth earl by his marriage settlement made in 1923 firstly, in exercise of the power contained in the second earl's will, irrevocably appointed to his wife in case she should survive him

> during the residue of her life the yearly rentcharge of £1,000 by way of jointure (to commence from his death and) to be paid without any deduction, except for succession duty if any,

and, secondly, in exercise of the power contained in the third earl's will, he appointed in similar terms in favour of his wife a rentcharge of £1,000, to be increased to £3,000 if (as happened) he succeeded to the Earldom of Lonsdale

> to be paid without any deduction, except for succession duty if any.

The sixth earl having died, the question arose whether the jointures of £1,000 and £3,000, which then became payable to his widow, had to bear a rateable part of the estate duty payable on his death in respect of the settled estates charged with such jointures under Section 14 (1) of the Finance Act, 1894, or whether there was an "express provision to the contrary" which exempted the jointures from liability to contribute

to the duty. Section 14 (1) reads as follows:

> In the case of property which does not pass to the executor as such, an amount equal to the proper rateable part of the estate duty may be recovered by the person, who being authorised or required to pay the estate duty in respect of any property has paid such duty, from the person entitled to any sum charged on such property (whether as capital or as an annuity or otherwise) under a disposition not containing any express provision to the contrary.

The principle that in the case of settled property death duty is chargeable rateably on all interests in the settled fund, whether of a capital or income nature, is thus subject to the qualification to be found in the last words of Section 14 (1). Hence, the first question to be decided by the Court of Appeal was whether the words of appointment in the settlement of 1923 were apt as an invocation of the dispensing provision of Section 14 (1). If so, there followed a second question, namely, whether such dispensation was within the powers of the appointer (the sixth earl) having regard to the terms of the wills of the second and third earls.

The Court held (1) that if in an appointment of a jointure the formula "free of duty" or similar words were used, that was an express "provision to the contrary" within the last words of Section 14 (1), and, accordingly, the directions in the settlement of 1923 that the rent-charge was to be paid "without any deduction" (except for succession duty if any) were so worded as to free the jointures from any deduction for estate duty; and (2) (although this was a more difficult question) that the appointment constituted a "disposition" within Section 14 (1) and that the sixth earl had power under the wills of the second and third earls to appoint jointures free from any liability to contribute to the estate duty payable on his own death and, accordingly, the jointress was not liable to contribute in respect of her jointures to such duty.

The sums named in the settlement of 1923 were £1,000 in the case of the power under the will of the second earl and £3,000 in the case of the power under the will of the third earl. These sums were respectively £500 and £2,000 less than the sums mentioned in the two wills. Counsel for the inheritors (the appellants) had apparently conceded that the power of appointment was valid by exercise to the extent that the sums of £1,000 and £3,000, plus the freedom from liability to pay interest on duty, did not exceed the sums of £1,500 and £5,000 respectively. But this, it now seems clear, is not the right approach. Harman, L.J., said that the effect of Section 14 (1) was to give a dispensing power to the disposer who created the charge, who might exercise the power up to the limit of the figure he was given. When he added the words "free of duty" or similar words he was not exercising the power at all and it was a fallacy to treat the additional words as if he were further exercising the power. It was true that he burdened the inheritance and freed the jointress, but that was a power given him by the statute without reference to the power at all. Therefore, provided the jointress got no more than the donor of the power intended she should have, there was no question of an excessive exercise. Lord Evershed, M.R., said that under modern conditions this result might work somewhat hardly or unfairly against the inheritor, but if there were unfairness that must be "properly attributable to the chances of the passage of time."

The Court applied *In re Smith-Bosanquet* [1940] Ch. 954 and distinguished *In re Keele Estates* (No. 2) (1952) Ch. 603, but granted leave to appeal to the House of Lords.

Stamp Duty

"Conveyance or transfer on sale"—Shares subject to settlement—Oral agreement to exchange reversionary interest in settled shares for shares owned by life tenant—Trustees' subsequent transfer of shares to life tenant—Whether conveyance of beneficial interest—Stamp Act, 1891, Section 54, Schedule 1—Law of Property Act, 1925, Section 53 (1) (c), (2).

The facts in **Oughtred v. C.I.R.** (House of Lords, 1959, 3 All E.R. 623) were noted in our issue of April, 1958 (page 194), and, following the decision of the Court of Appeal, the case was again noted in our issue of October, 1958 (page 535). This is a complex and difficult case in which the House of Lords by a majority of three to two (Lord Radcliffe and Lord Cohen dissenting) affirmed the decision of the Court of Appeal, which had reversed the judgment of Upjohn, J. The question before the House was whether a common form transfer under seal dated June 26, 1956, whereby the trustees of the settlement transferred to the appellant 100,000 Preference shares and 100,000 Ordinary shares in the company (pursuant to an oral agreement made between the appellant and her son on June 18, 1956) attracted *ad valorem* stamp duty as a conveyance or transfer on sale within the meaning of the head of charge "conveyance or transfer on sale of any property . . ." in Schedule 1 to the Stamp Act, 1891, or was liable only to the fixed duty of 10s. as a "conveyance or transfer of any kind not hereinbefore described." (*Ad valorem* duty was not claimed on the deed of release or on the transfer of the 72,700 free shares in the company from the appellant to her son.)

Section 54 of the Act of 1891 provides that:

> For the purposes of this Act the expression "conveyance on sale" includes every instrument . . . whereby any property, or any estate or interest in any property, upon the sale thereof is transferred or vested in a purchaser, or any other person on his behalf or by his direction.

The question thus turned upon whether, on the true construction of Section 54, and having regard to the terms and effect of the oral agreement and the nature of the interests with respect to which that agreement was made, the disputed transfer was an instrument whereby property in the shape of the settled shares, or any estate or interest in that property, was transferred "upon the sale thereof" to a purchaser in the person of the appellant. Relevant to the question were the provisions of Section 53 of the Law of Property Act, 1925, which (so far as material for the purposes of the case) read as follows:

> (1) Subject to the provisions hereinafter contained with respect to the creation of interests in land by parol . . . (*c*) a disposition of an equitable interest or trust subsisting at the time of the disposition, must be in writing signed by the person disposing of the same, or by his agent thereunto lawfully authorised in writing or by will.
>
> (2) This Section does not affect the creation or operation of resulting, implied or constructive trusts.

For the appellant it was contended that (as is undoubtedly the case) stamp duty is imposed on instruments, not transactions, and that a transfer of sale (namely, the oral agreement between the appellant and her son), carried out without bringing into existence an instrument which had the effect of transferring to or vesting in the purchaser the property sold, attracted no duty (see *C.I.R.* v. *G. Angus and Co.* (1889) 23 Q.B.D. 579, 589). Under the oral agreement the appellant became beneficially entitled in equity to the settled shares, subject to the due satisfaction by her of the purchase consideration, and accordingly the entire beneficial interest in the

settled shares had already passed to her at the time of the execution of the disputed transfer, and there was nothing left upon which the disputed transfer could operate except the bare legal estate. Also, the trust, being constructive, was untouched by Section 53 (1) (*c*) of the Act of 1925, in view of the exemption afforded by Section 53 (2). Counsel for the respondents was prepared to agree that on the making of the oral agreement the son became a constructive trustee of his equitable reversionary interest in the settled funds for the appellant, but he submitted that nonetheless Section 53 (1) (*c*) applied and accordingly the son could not assign that equitable interest to the appellant except by a disposition in writing.

The House (by the majority referred to earlier) held that the disputed transfer was a transfer on the sale of property within Section 54 of the Stamp Act, 1891, and attracted *ad valorem* duty on the consideration given by the appellant (namely, the value of the 72,700 free shares which she transferred) for her acquisition of the son's reversionary interest in the settled shares. Lord Jenkins said he found it unnecessary to decide whether Section 53 (2) had the effect of excluding the transaction from the operation of Section 53 (1) (*c*), because, assuming that the oral contract did have the effect in equity of raising a constructive trust of the settled shares for the appellant untouched by Section 53 (1) (*c*), he was unable to accept the conclusion that the disputed transfer was prevented from being a transfer of the shares to the appellant on sale. The constructive trust in favour of a purchaser which arose on the conclusion of a contract for sale was founded upon the purchaser's right to enforce the contract in proceedings for specjfic performance. This interest under the contract was no doubt a proprietary interest of a sort, but so far as he knew it had never been held that the existence of such an interest meant that a subsequent transfer (in performance of the contract) of the property contracted to be sold was prevented from constituting for stamp duty purposes a transfer on sale of the property.

The parties to the sale intended (as recital F of the deed of release showed) that the transaction of sale should be completed by the deed of transfer (which it seemed hardly possible to reconcile with the view that nothing passed under it); moreover, although the interest that the son sold was a reversionary beneficial interest, the disputed transfer must be regarded as being a transfer on sale that included this reversionary interest, and the fact that the transferors were the trustees (and not the son) did not prevent the disputed transfer being a transfer on sale, since the trustees were transferring by the directions of the appellant and her son.

Lord Denning said that in his opinion every conveyance or transfer by which an agreement for sale was implemented was liable to stamp duty on the value of the consideration. It was not necessary for the instrument of implementation to be between the same parties as the parties to the agreement for sale, nor for it to relate to the self-same property as the agreement for sale. Thus, when an equitable owner of shares (registered in the name of a nominee) agreed to sell the shares to a purchaser, and the sale was implemented by a transfer by the nominee to the purchaser, the transfer was a "conveyance on sale of any property" although the parties to the agreement were different from the parties to the transfer. He added that he did not think the oral agreement was effective to transfer the son's reversionary interest to the appellant, since the wording of Section 53 (1) (*c*) of the Act of 1925 clearly made a writing necessary to effect such a transfer and Section 53 (2) did not do away with that necessity.

Now that the issue is finally resolved, this is an important case which may well have wide repercussions in practice. It may be compared with *Grey and Another* v. *C.I.R.* on page 676 of ACCOUNTANCY for December, 1959.

Tax Cases—Advance Notes

HOUSE OF LORDS (Viscount Simonds, Lords Radcliffe, Cohen and Keith of Avonholm)

The Public Trustee *v*. Commissioners of Inland Revenue. December 14, 1959.

Their Lordships (Lord Keith dissenting) allowed this appeal by the Public Trustee from the decision of the Court of Appeal (see ACCOUNTANCY for January, 1959, page 30). They held that no claim to estate duty arose on the death of Henry Preuss Arnholz, as the deceased enjoyed his share of the income of the residuary estate of Lord Northcliffe only as holder of an office.

HOUSE OF LORDS (Viscount Simonds, Lords Radcliffe, Cohen, Keith of Avonholm and Jenkins)

Parker and others *v*. The Lord Advocate on behalf of the Commissioners of Inland Revenue. December 15, 1959.

Their Lordships unanimously dismissed this appeal by the trustees from the decision of the Court of Session. That Court had held that the entire trust fund was liable to estate duty under Section 2 (1) (*d*) of the Finance Act, 1894 (see ACCOUNTANCY for September, 1958, page 471).

COURT OF SESSION (Lord Clyde (Lord President), Lord Russell and Lord Sorn)

Commissioners of Inland Revenue *v*. Pattison and others. December 15, 1959.

The respondents, on November 4, 1953, entered into two agreements under seal with P., who had carried on business for some years as a restaurateur at an address in Glasgow. By the first agreement P. let the business premises to the respondents for a term of years. Under the second deed it was narrated in the preamble that P. as owner had agreed to sell his business and the goodwill thereof to the respondents, and the respondents had agreed to purchase the same on the terms embodied in the agreement. The deed provided that, *inter alia*, the subject purchased was P.'s restaurant business carried on at its address in Glasgow for a price to be paid by instalments calculated at £25 per week, during the currency of a lease for five years entered or about to be entered into between the parties. It was further provided that the weekly instalment payments of £25 would be paid quarterly "until the total purchase price at £25 per week for a period of five years has been paid by the purchasers to the owner."

It was unanimously held by their Lordships, reversing the decision of the General Commissioners (who had considered themselves bound by the decision in *Ogden* v. *The Medway Cinemas Ltd.*, 1934, 18 T.C., 691) that the payments of £25 per week were capital payments and not deductible in computing the profits of the respondents' trade as restaurateurs.

The Month in the City

Brilliant Close for Equities

While the last month of the year is commonly not very active in the stock markets, December of 1959 maintained the reputation of that remarkable year by an accentuation of the spirit of optimism which has been inspiring the buying of equities. Nonetheless, the month did not start very well and on December 3 it was clear that business for "new time" consisted mainly of sales, while the industrial Ordinary index of the *Financial Times* showed a drop of almost two points in three days. With the opening of the new account, however, prices in this section started to rise and the movement continued with scarcely a pause until a record of 338.7 was touched on December 30. On that day the yield on Old Consols was no less than 1.37 per cent. above that on the equities of the index. As in previous months, the general weakness of the Funds owed something to talk of higher Bank Rate but the expectation is now that a rise may be avoided. There has been some advance in bill rates here but it may prove to be temporary. Exchange rates have been reasonably steady but there is no doubt that some "hot" money has left London under the attraction of higher rates elsewhere. The movement of funds was, however, normal and healthy and did not prevent the authorities from announcing they proposed not to seek renewal of the standby credit from the International Monetary Fund, while the instalments on the American and Canadian wartime credits have been met without any special announcement of the transfer. The rise in equities occurred in face of a loss of reserves in November, and a growth in the adverse trade balance. On the other hand, industrial production was in November almost 10 per cent. above the end-1958 level. The great bulk of the recovery in industrial production and in equity values occurred in the second half of the year—a fact that may help to explain why the new year opened with extremely optimistic forecasts in the daily Press on the prospects. So far as actual results go, there is a rise of one tenth in equity values on the month and of 50 per cent. on the year. The table below shows the figures of the indices of the *Financial Times* for the dates mentioned, including the yield margin between Ordinary shares of the index and Old Consols. The final burst of buying in Ordinary shares owed much to the proposals of the White Paper on trustee investments.

	End 1959	*Nov. 1959*	*Mid-1959*	*End 1958*	*End 1957*
Govt. Securities ..	85.29	87.45	86.16	84.86	79.29
Fixed Interest ..	95.02	96.99	93.63	92.26	87.62
Ind. Ordinary ..	338.4	306.0	239.0	225.4	165.3
Gold Shares ..	89.2	89.3	93.8	86.0	74.8
Yield Margin ..	*1.30	*0.74	†0.29	†0.31	†1.30

* Consols above Ordinary. † Consols below Ordinary.

Government Conversion

The last day of the year brought the announcement of the terms to be offered to holders of two maturing government stocks—namely, the £448 million 2 per cent. Exchequer stock, due mid-February, and the £200 million 3 per cent. Exchequer stock, due March 3. Holders in both stocks are offered the right to switch into an equal amount of a new 5 per cent. Conversion stock maturing July 15, 1971. The exchange will take place on February 15 and on that date holders of either stock who have accepted will receive a cash payment of 30s. per cent., together with interest on the old stock to date—on the 3 per cent. stock, £1 7s. 2d. The offer had to be accepted by January 11. The terms of the offer were not unattractive and will be more so if the rise in the Funds continues. Money market holders of the old stocks will not convert and it is doubtful whether the banks will do so. It is assumed that the Departments hold a great deal of the maturing stocks and no doubt, if all goes well in the market, acceptances will suffice to reduce the outstanding balance to manageable proportions. These are virtually the only substantial maturities of gilt-edged stock falling in this year.

Other Issues

The most important demand on savings was the projected offer of £10 million 5 per cent. stock 1977–82 of the World Bank offered at 96½ and considered fully attractive to gross funds. This was the third and largest offer in London and the most advantageous to investors. In the event the weakness of government securities reduced the demand for this stock to an amount barely sufficient to cover the offer and at the end of the month it was quoted at a small discount. During the month the offer of *Scotshares* produced the sale of 15 million units, while the *Commonwealth Unit Trust* offered 2 million units. There was a rights issue by *Wiggins, Teape* and a number of placings and issues of modest amounts. According to the statistics of the Midland Bank the total raised during December was £34.5 million (£8.6 million in December, 1958). The total for the year at £480 million was with the exception of 1955 the largest in the forty years' run of these figures and compares with £316 million for 1958. Among other items not as yet strictly issues to the public is the decision of the Government to accept an offer by *N. M. Rothschild & Sons* for the 35,380 shares of *Société d'Investissements Mobiliers* received as a second distribution of the *Suez Finance Company*. A block of twice this amount was similarly sold by the Government in June, arousing some criticism because the sale was a private one with no other potential buyers having the opportunity to bid. The shares now sold are to be placed, at least in part, at £27 10s.

More Takeovers

Fusions and acquisitions continued during December; the most interesting were the offer by *Hawker* to acquire *de Havilland* and the double bid—first by *Nestlé*, and then by *Fisons*—for the control of *Crosse and Blackwell*. While none of the bids has as yet become definite the Fisons offer looks definitely more attractive than Nestlé's and as we go to press it remains to be seen whether the Swiss firm will step up its offer. The announcement of the origin of the former bid was deferred for some time and as the British affiliate did not know of the offer misunderstandings arose. Earlier in the month Hawker had made an offer for *Blackburn*, so the consolidation of the aircraft industry is progressing apace. Another development was the double offer of *Firth Cleveland*, first to take over *Broadmead*, and, second, to acquire a 53 per cent. interest in the *Solartron* electronic group. The first offer would give them control of one of the largest retail distribution interests in the radio and allied trades, while the latter would provide a valuable stake in the developing field of electronics.

Points From Published Accounts

The Base Stock Method

Mr. Cube is still rampant on the back page of *Tate and Lyle's* accounts, which maintain an air of sober excellence in keeping with the stature of the organisation. Art paper is used inside the stiff outer covers, and comparative figures are set on a light blue background. The point of special interest this year is the adoption of the base stock accounting method for a proportion of the stocks of the group. The principle behind base stock accounting is to try to iron out the fluctuations in profit that are normally inclined to occur in a business which deals in commodities subject to somewhat volatile price movements. In this instance, the concern has found it advisable to increase its long interest in sugar to approximately 250,000 tons, and to have additional cargo space equivalent to 300,000 tons of sugar in order to maintain continuity of supply. These market interests are being regarded as being in the nature of base stocks, and have been valued on the basis of 25s. per cwt., which is lower than either the cost or market value at the balance-sheet date; freights have been taken at the rates ruling in September, 1958, which, again, are lower than cost or market value at the balance-sheet date. These values will stand as base values, unless any adjustment is needed because the values adopted are higher than cost or market value at any future accounting date.

Tax Equalisation Reserve

A recommendation by the Institute of Chartered Accountants in England and Wales that amounts set aside for future income tax, whether described as reserves or not, should be shown separately and should preferably not be aggregated with reserves, has been adopted by *Staveley Coal and Iron*. The adoption of this revised procedure has resulted in a big increase in the tax equalisation reserve from £115,000 to £1,003,000. It is largely a matter of a bookkeeping adjustment, £839,000 having been transferred straight from revenue reserves.

Tax equalisation reserves generally stem from the operation of initial allowances, prudent companies placing to this special reserve the relief granted on capital expenditure so that they may set future tax liabilities against the actual profits earned. Staveley set up the reserve to cover the gap between the depreciation charged in the accounts, and capital allowances for taxation purposes. The fact that depreciation allowable for tax purposes is often far short of what is required to provide for the proper maintenance and replacement of the assets has long been a bone of contention, and it is aggravated whenever there is a revaluation of assets. Some companies have tried to cater for this by setting up a "fixed assets replacement reserve," in addition to the normal depreciation charged each year. Others have relied on a straightforward increase in depreciation to cover the enhanced cost of the assets in question: when this course is followed, the profits would be depressed (failing some corrective) to the extent that tax relief on the excess depreciation is not received. The tax equalisation account set up by Staveley is aimed at providing a corrective—a means of adjusting the abnormality so that future profits do not have to bear an unduly heavy burden; it is, in effect, an attempt to relate the excess cost of depreciation to the years in which it arose.

Revaluation Explained

A well-deserved reputation for progressiveness is enjoyed by *Fisons*: it is upheld by the decision taken to revalue fixed assets. The company is not pioneering; many have made revaluations in recent times. But few have seen fit to explain their approach to the matter in quite the same fullness of detail as Sir Clavering Fison provides in his review accompanying the accounts. He explains to shareholders that "the method adopted was to estimate the current cost of replacing the assets concerned and to reduce this amount to give effect to the expired life of the assets and an estimate of their future useful working life." Then he goes on to point out that further adjustments were made for any known technical or commercial factors likely to affect their usefulness to the company in the future. On this basis the surplus on revaluation of the fixed assets of the company and its United Kingdom subsidiaries amounted to £6,981,000. The interesting feature of this revaluation is that the estimated replacement cost of these assets, as at June 30, 1959, exceeded the revised value by no less than £11,471,000. This distinction is one that is not often made, and it is worth commenting on, if only because it underlines once more the fundamental difference between historical cost accounting and replacement cost accounting.

Fisons has also revised the book value of its investment in subsidiaries, and the enhanced value thrown up has been used to eliminate goodwill of £2,559,000, representing the excess purchase of subsidiaries over many years. A further adjustment is being made in the form of a one-for-three scrip issue to bring the issued capital into better relationship with the enhanced value of the assets employed.

Consolidation To Simplify

For the first time *Gascoignes (Reading)* is presenting a full consolidation of its accounts. The change has been made in recognition of the growing number of oversea subsidiaries in the group. Previously, only the dividend from the French subsidiary was brought to account, the assets of this concern being shown separately at sterling equivalents; now, it has lost its separate identity in the accounts. The decision has made for a more simple balance-sheet presentation. Now there appears a simple entry for trade investments, instead of, as the previous year:

	£	£
Trade Investments at Cost—		
Gascoignes South Africa (Pty) Ltd.	11,050	
Gascoignes (East Africa) Ltd.	—	
Kee Klamps North America Ltd.	12,365	
		23,415
Investments in Subsidiary Companies—		
Gascoigne Italia S.A.R.L.	1	
Society Anonyme Gascoigne France	2,660	
Gascoignes (East Africa) Ltd.	4,725	
		7,386

Legal Notes

Contract and Tort—
Passing-off, Champagne

An action is now in progress in which the producers of wine in the Champagne district of France are claiming an injunction restraining the Costa Brava Wine Co. Ltd. from applying the trade description "champagne" or "Spanish champagne" to wine made in Spain or from grapes grown in Spain and from passing off, as and for wine produced in the Champagne district, wine not so produced by advertising, offering for sale or selling it as Spanish champagne or under any other name or description that included the name "champagne." Two preliminary points of general importance have now been decided by Danckwerts, J., and reported in **J. Bollinger v. Costa Brava Wine Co. Ltd.** [1959] 3 W.L.R. 966. His Lordship emphasised that his decision was made on certain assumptions of fact, but those assumptions would not necessarily be found eventually to represent the true facts of the case; in particular, he was not deciding whether the description "Spanish champagne" was calculated to deceive.

Both sides accepted the basis of a passing-off action to be that the passing-off by the defendant of his goods as the goods of the plaintiff injures the right of property in the plaintiff, that right of property being his right to the goodwill of his business. It was not, however, alleged that in this case the defendant's product had been passed off as wine produced by any of the plaintiffs individually, and the issue was whether a passing-off action would lie at the suit of plaintiffs who had no exclusive right to use the name "champagne" as a description of their products but who shared the right to use it with all other persons producing wine in the Champagne area. His Lordship, after discussing a number of authorities dealing with such fascinating goods as watches, clay pipes, coal and oysters, held in favour of the plaintiffs that the law of passing-off, which arose to prevent unfair trading, was not so limited in scope as the defendants contended: it did not matter that the persons truly entitled to describe their goods by a particular name or description were a class producing goods in a certain locality and not merely one trader.

On the second issue his Lordship held in favour of the defendants that the Merchandise Marks Acts, 1887 to 1953, do not give a rival trader a civil right of action; if the Acts had the protection of any class of persons in mind, it was the purchasers of goods which might be misleadingly described, but in his view the Acts did not give a civil cause of action to anyone, except where expressly provided.

Contract and Tort—
Passing-off, Motor Cars

In **Morris Motors Ltd. v. Lilley** [1959] 1 W.L.R. 1184, Wynn-Parry, J., granted an injunction restraining the defendant from selling as a "new" motor car of the plaintiffs' manufacture a car that was not new.

The facts were as follows. The plaintiffs manufactured a car and supplied it to an authorised distributor, who sold it to an authorised dealer. The dealer resold to a customer and registered the car with the local county council prior to delivery. The customer then drove the car a few miles and resold it at £10 over the list price to the defendant, who was not an authorised dealer. The defendant then sold the car to B as a "new" car.

The defendant argued that the mere fact that the car had been driven about 130 miles between leaving the factory and being delivered to B did not rob it of the characteristic of being a new car. The learned Judge rejected this argument. He said that the proper test was this: a car remained new even when it left the manufacturer's hands until it was made the subject of a retail sale by a distributor or dealer, was registered with the local county council, had number plates put upon it and was driven away by the purchaser. From that moment onwards it was not a "new" car, and as the form of trading adopted by the defendant was likely to cause injury to the plaintiffs' goodwill, an injunction should be granted.

Executorship Law and Trusts—
Proposed Action by Trustees against Beneficiaries

In **In re Moritz deceased** [1959] 3 W.L.R. 939, the executors of a will asked the Court for directions whether they should or should not institute and prosecute an action against two of the beneficiaries. They made the proposed defendants, as well as all the other beneficiaries, parties to the originating summons, and they supplied the proposed defendants with copies of the affidavits to be used on the summons but not with copies of the exhibits attached to those affidavits. The proposed defendants took out a summons asking that copies of the exhibits should be supplied to them.

Wynn-Parry, J., said that it had for many years been the practice of the Court that, when trustees asked in Chambers for directions whether or not proceedings should be brought against certain defendants, the proposed defendants should not be entitled to be heard upon that application and should not be furnished with the evidence upon which the Court was asked to act. It would be completely contrary to this practice to order that the defendants should be given copies of the exhibits, and this application must be refused.

If in this or any other case the trustees should eventually bring an action as the result of the Court's direction, the defendants would of course have the ordinary rights of defendants to be told exactly what was alleged against them.

Miscellaneous—
"Use" of Car on Road

The case of **Elliott v. Gray** [1959] 3 W.L.R. 956 is a warning to those who lay up their cars by parking them in the highway and immobilising them. When E.'s car broke down, he pushed it into position on the road outside his house, jacked it up so that the wheels were off the ground and removed the battery. He left it there for several weeks, during which time the insurance policy ran out. On February 7, 1959, the material date in the case, he had carried out some repairs and the car was then capable of being moved, but it could not be driven because its engine was still out of order. E. was convicted of "using" the car on the road without third party insurance contrary to Section 35 (1) of the Road Traffic Act, 1930.

The Divisional Court upheld the conviction. It said that the Section was passed for the protection of third parties and that the word "use" was really equivalent to "have the use of a motor vehicle on the road." Although the car could not be driven, it could be moved, and in the view of the Court was being "used."

The Court left open the question whether the offence would have been committed even if the car had been wholly immobilised—for example, by having its wheels removed.

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STATUTORY INSTRUMENTS

No. 1902. National Insurance (Modification of Pension Schemes) Regulations. Prescribing procedure for modification of certain pension schemes in view of Act of 1959.

No. 1915. Town and Country Planning (Delegation) Regulations. Enabling certain county councils to claim wide measure of delegation.

No. 1936. Motor Vehicles (Construction and Use) (Amendment) Regulations. Amending Regulations of 1955 in many respects, including lighting requirement and reflectors.

No. 1947 (L.12). Rules of the Supreme Court (No. 2). Providing for applications and appeals to High Court under Sections 31 and 32 of Town and Country Planning Act, 1959.

No. 1967. Foreign Compensation (Poland) (Nationalisation Claims) (Amendment) No. 2 Order. Amending Order of 1956 and revoking Order of 1959.

No. 1968. Foreign Compensation (U.S.S.R.) (Registration) Order. Enabling claims arising in connection with the Baltic States to be registered with Foreign Compensation Commission.

No. 1969. Transfer of Functions (Crown Estate Commissioners) Order. Transferring functions of Lord Privy Seal in relation to Crown Estate Commissioners to Chancellor of Exchequer.

No. 1971. Tithe Redemption Commission (Transfer of Functions and Dissolution) Order. Transferring functions to Commissioners of Inland Revenue.

No. 1958 (L.13). Rules of the Supreme Court (No. 3). Revoking Order 65 and providing new code of rules on costs, taxation of costs, etc.

No. 1999. Exchange Control (Authorised Dealers) (Amendment) (No. 2) Order. Amending list of banks, etc., authorised.

No. 2000. Exchange Control (Authorised Depositaries) (Amendment) (No. 2) Order. Amending list of depositaries.

No. 1984 (L.14). Tithe (Amendment) Rules. Amending Rules of 1937 in consequence of Finance Act, 1958, Section 38, and making number of minor changes.

No. 2015. Superannuation (Transfers between the Civil Service and Public Boards) (Amendment) Rules. Adding B.B.C. and Trinity House to Schedule.

No. 2027 (L.15). Solicitors' Remuneration Order. Increasing scale of charges prescribed for certain conveyancing transactions.

No. 2044 (C.17). Tribunals and Inquiries Act, 1958 (Commencement No. 2) Order. Providing January 1, 1960, as appointed day for Section 7 of Act.

No. 2021 (C.16). Road Traffic Act, 1956 (Commencement No. 9) Order. Bringing into effect Sections 25 and 13 on January 1 and March 1, 1960.

No. 2063 (L.17). County Court Funds (Amendment) Rules. Amending Rules of 1953 as to payments by cheque, transfer to investment accounts, rate of interest allowed, etc.

DECISIONS OF THE COURTS

Administration of Estates

In giving two houses by specific bequest testator had "by will signified a contrary intention" sufficiently to exclude the provisions of Section 35 of the Administration of Estates Act, 1925.

In re Cohen deceased. (3 W.L.R. 916.)

Contract

General principles applicable to performance of conditional contracts discussed.

Aberfoyle Plantations Ltd. v. *Cheng.* (3 W.L.R. 1011.)

Passing Off

Law of passing off is not so restricted that it will allow a person competing in trade to attach to his product a name or description with which it has no natural association so as to make use of the reputation and goodwill gained by a product genuinely indicated by that name.

J. Bollinger v. *Costa Brava Wine Co. Ltd.* (3 W.L.R. 966.) See page 38.

Rating

Institute not entitled to exemption from rates under Section 1 of Scientific Societies Act, 1843, in respect of offices and premises as it was not formed for purpose of science exclusively and the subscriptions could not be regarded as voluntary.

Institution of Mechanical Engineers v. *Cane.* (T.N. December 2.)

In ascertaining gross value of heriditament in accordance with Act of 1953 no regard should be had to the state of repair at the time of valuation.

Wexler v. *Playle.* (T.N. December 9.)

Restrictive Practices

Recommendations as to maximum retail price held contrary to public interest.

In re Federation of Wholesale and Multiple Bakers. (T.N. December 16.)

Agreed orders made that restrictions were contrary to public interest.

Re Plate Glass and Glass Binders' Agreements. (T.N. December 16.)

Restrictions held contrary to public interest.

In re Carpet Manufacturers' Agreements. (T.N. December 18.)

Statute Construction

Notice "sent by registered post" held within Section 21 (*c*) of Road Traffic Act, 1930, even though it did not reach the hands of defendant within the statutory period.

Layton v. *Shires.* (3 W.L.R. 949.)

Trust

In originating summons by executors asking whether proceedings should be taken against two beneficiaries, it was not necessary to supply the latter with exhibits to the affidavits filed.

In re Moritz deceased. (3 W.L.R. 939.) (See page 38.)

Variation of settlement approved with object of avoiding effect of Sections 21 and 22 of Finance Act, 1958.

In re Clitheroe's Settlement Trusts. (1 W.L.R. 1159.)

Will Construction

Clause in will providing that daughter should not marry a person who did not practise the Jewish religion held to be void for uncertainty.

In re Krawitz Will Trusts. (1. W.L.R. 1192.)

The rule in *Browne* v. *Lord Kenyon* applies only where the language of the initial gift renders the reference to survivors inconsistent with what precedes, unless the latter is to be regarded as a divesting provision.

In re Douglas' Will Trusts. (1 W.L.R. 1212.)

GOVERNMENT PUBLICATIONS

Cmnd. 895. Memorandum on the Coal Industry Bill.

Cmnd. 898. Basutoland—Agreement for Avoidance of Double Taxation.

Cmnd. 899. Bechuanaland Protectorate.—Agreement for Avoidance of Double Taxation.

Cmnd. 900. Swaziland—Agreement for Avoidance of Double Taxation.

Cmnd. 875. International Convention for the Protection of Industrial Property.

Cmnd. 876. International Agreement regarding False Indications of the Origin of Goods.

Cmnd. 878. Finland—Convention on Social Security.

Cmnd. 891. Rhodesia, Nyasaland, Kenya, Uganda, Tanganyika and Zanzibar—Convention for Avoidance of Double Taxation.

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ABBHAVIATION USED
All E.R. The All England Law Reports
T.N. *The Times* Newspager
W.L.R. The Weekly Law Reports
Note: Taxation cases and articles excluded

Find the Moral!

After months of voluminous correspondence, a number of apologies and a maze of mathematical mistakes I have discovered that all Tax Inspectors, and in particular the Special Commissioners of Income Tax, make not one but repeated mistakes in their tax demands. I relied upon the banks to do my tax compilations in the past, but I would like to warn your readers not to fall into the belief that by so doing they will be correctly assessed for tax and surtax each year. They will save many pounds by challenging the Tax Commissioners at every turn.—From letter to the *Daily Telegraph.*

Letters to the Editor

Capital Expenditure Decisions

Sir,—The article "Capital Expenditure decisions" by Mr. Sisson and Mr. Goodman in the November issue of ACCOUNTANCY (pages 597–600) is interesting as the beginning of serious discussion in this country on methods of assessing the rate of return on capital projects.

It is unfortunate that the article does not discuss either the meaning of the internal rate of return or some of its shortcomings. The internal rate of return is in fact the rate of return being offered by the capital project on the capital outstanding when the discounted sums arising in each year are regarded as repayments of capital. The two major shortcomings of this method are as follows. Firstly, it cannot be used to discriminate between mutually exclusive projects. An example of this would be trying to use the rate of return as a criterion for deciding what type of building to erect on the Piccadilly Circus site. The suggestion sometimes put forward, that we should take the alternative which offers the highest rate of return on capital, would in this instance lead to the erection of a tent—since this would have a negligible cost but would earn a high rent, thus making the rate of return on capital nearly infinite!

The second difficulty associated with the "internal rate of return" is that it is possible to obtain multiple rates of return for any given project. This danger arises from the presence of negative returns in some years of the project's life. It is, in fact, necessary to treat the negative returns by a particular method if we are to avoid the danger of multiple solutions and the possibility of accepting projects which on other commonly acknowledged criteria we would wish to reject. The undersigned expect to publish a paper shortly discussing this and other important points connected with the use of the "internal rate of return."

As regards the methods of approximation used by Mr. Sisson and Mr. Goodman, these are difficult to assess, since in only one of their examples do these authors give the correct figure to which they are approximating, nor do they describe the mathematical analysis which leads them to the conclusion that their approximations are adequate "for practical purposes." The size of error in their example 3 would appear to be of the order of 10 per cent. It would also appear from our own analysis that the method of approximation used would give unsatisfactory results whenever the sums arising from the capital project showed a distinct trend upwards or downwards over time.

In our own fairly wide experience of the use of the "internal rate of return," calculations required to establish it for a project with a life, say, of twenty years can be performed by unskilled clerical labour, using the appropriate tables, in about half an hour. We would suggest, therefore, that while accurate methods of approximation are desirable, the conventional method of obtaining the accurate figures is by no means as laborious as might be assumed from this article.

Yours sincerely,

A. J. MERRETT
ALLEN SYKES

London, W.C.1.

Sir,—Mr. Sisson and Mr. Goodman have made a valuable contribution to the problem of Capital Expenditure Decisions by their ingenious method of equating the time factor outlined in the November issue of ACCOUNTANCY, but it is felt that they omitted to make it perfectly clear that their statement, "This index, $(s\text{-}D)/(\frac{1}{2}c+w)$, normally expressed as a percentage, is analogous to the conventional rate of return on capital employed," *must not* be translated as "can be directly compared with the rate of return on capital employed," except under rigorously defined assumptions as to the proportions of gains retained and distributed and the profitability of retained depreciation provisions and earnings.

Might it not be correct to suggest that a formula more nearly analogous to return on capital employed would be

$$\frac{(s-D)+p\times\frac{1}{2}c}{\frac{1}{2}c+(w+\frac{1}{2}c)}$$

where p (say 1/10) is the assumed profitability fraction to be applied to the depreciation provision retained on average, and in the capital, $\frac{1}{2}c$ has moved from fixed to working capital? In addition there is an assumption that neither (s—D) nor $p\times\frac{1}{2}c$ is cumulatively retained in the organisation but that both are distributed. It might also be assumed that c is found from new equity capital and not from borrowed funds or uplifted deposits. The above formula, but only by coincidence, could produce a result not greatly different from

$$\frac{2(s-D)}{c+w}$$

If one ignores their constant (w) for extra working capital, which may be negligible in some projects, the same ratio or percentage as $s\text{-}D/\frac{1}{2}c$ (savings less depreciation over half capital outlay) would emerge, using the expression 2(s-D)/c, and in practice this doubling could only arise by profitable reinvestment of earnings.

The authors would perhaps agree that this and their "discounting" formula provides a useful index of relative profitability, but that it must be regarded purely as an index if false analogies are to be avoided.

Yours faithfully,

J. A. SCOTT, C.A., F.C.W.A.

Sale, Cheshire.

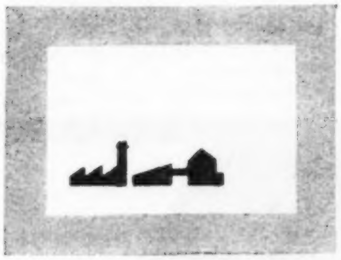
[The authors of the article write: Mr. Scott rightly stresses that the average rate of return and the conventional rate on capital employed are comparable only under defined conditions; and it was only as a rough guide that we suggested in our paragraph 10 that the yield standard might be set to make the mean of the average rates on projects at least equal to the desired conventional rate. This procedure would tend to produce that rate only in a static business using all its resources; but a yield standard so based seems reasonable under other conditions for practical use, even though in an expanding business the conventional rate would tend to fall short.

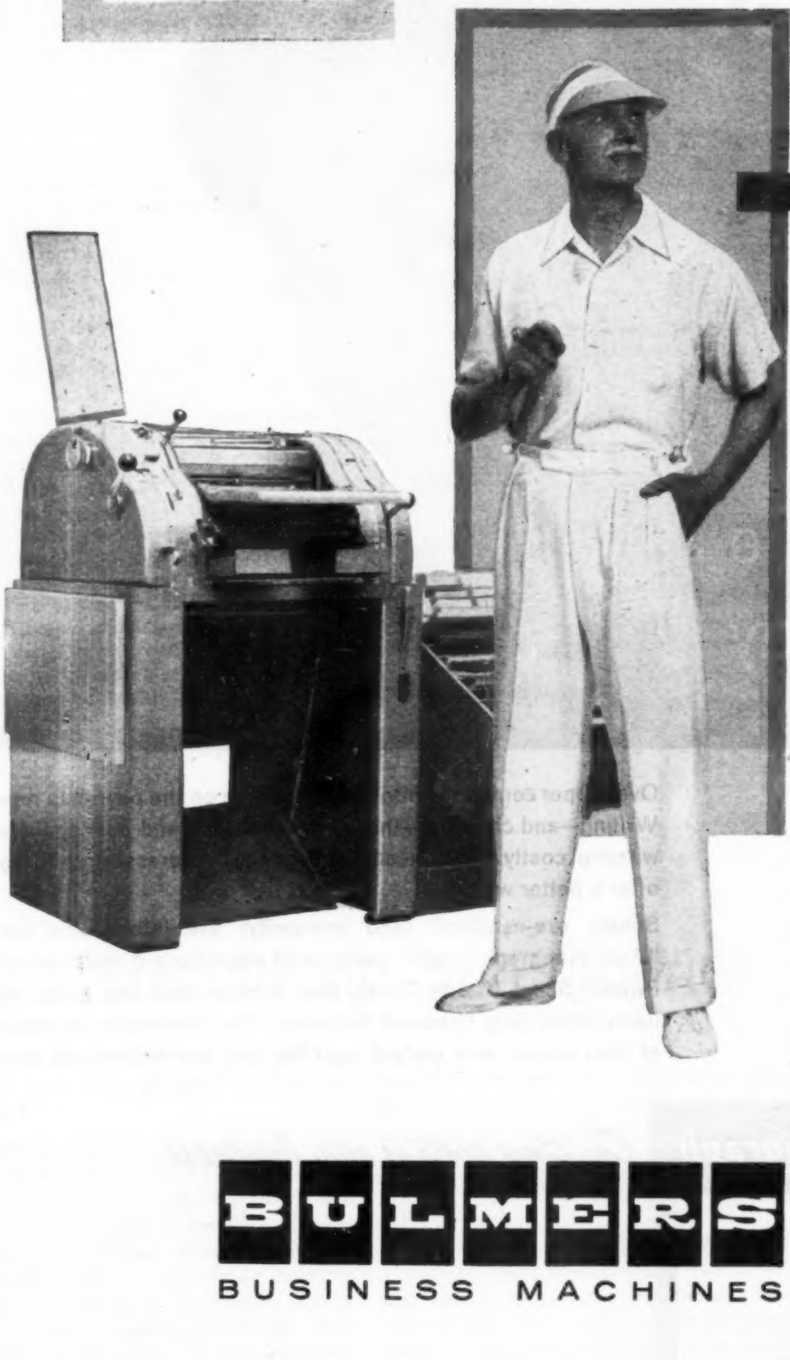
Mr. Scott's suggested formula may logically be closer to the conventional rate, but requires an assumed profitability fraction: if this fraction is taken equal to the average rate of return the formula reduces to this average rate.

Mr. Merrett and Mr. Sykes mention two difficulties, the first of which is apparent only. (1) To decide between a "building" and a "tent" we should consider whether the yield on the *extra* expenditure justified it. (2) Multiple solutions do occur for some projects; and, in these and other cases where the "outstanding capital" becomes negative in a repayment schedule, we agree that something more may be needed than the straight yield calculation. We look forward to the promised paper, having in view particularly the practical applications.

The correct forces of interest in our examples (1) and (3) work out at 19.40 per cent. and 16.39 per cent., against 19.4 per cent. and 16.6 per cent. by our method: we do not understand the reference to an error of about 10 per cent.

Our approximate yield was devised to replace the average rate of return as an index to quote in reports recommending capital outlay proposals, and great accuracy or elaborate calculation would be misplaced: even errors as high as one-twentieth of the yield would do little harm, though we should normally do better than this. If, as is usual, the expected fluctuations after the initial period are small compared with the average or going return, the errors due to using the first estimate of yield and a one-place critical table for discounting the trend will be negligible compared with the inaccuracy of the data. The K formula itself depends upon using a linear function of $n\delta$, that is "life times yield," for $\left\{(1/\bar{a}_n)-(1/n)\right\}/\delta$, namely, $2f+f^2n\delta$ where $f=1/3.92$; and can give poor results when for any asset $n\delta$ exceeds about $5\frac{1}{2}$, or when the "equated life" is very small or negative. Elsewhere corrections may be made by recomputing the "equated life" with the "lives" multiplied by factors dependent upon the (estimated) values of $n\delta$, such factors ranging from 1.13 for $n\delta=1.3$—1.8 to .87 for $n\delta=5.5$; but in practice we find that these corrections are seldom if ever significant. If, however, our critics have found cases where the method gives results likely to mislead, we shall be glad to know of them.]





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BULMERS

BUSINESS MACHINES

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DTV

The Institute's Recommendations

Sir,—The article by Mr. G. F. Saunders on "The Institute's Recommendations" in the November, 1959, issue of ACCOUNTANCY (pages 584–8) raises some controversial points concerning Recommendation 18—Presentation of Balance Sheet and Profit and Loss Account.

There are three points discussed under the heading "New Definition of a Balance Sheet" which I would particularly like to comment upon. These concern three extracts from Recommendation 18:

1. (*a*) *To give a true and fair view of the state of affairs (paragraph 3).*

What exactly do the words "true and fair" mean in that context? Do they give a reader of business accounts an indication of the basis adopted in arriving at the values placed on items appearing in those accounts? It would seem that these words are so vague as to be virtually meaningless and that they do not describe, as it would seem they are intended to do, the general approach used by an accountant in preparing accounts. If this contention is acceptable one might then conclude that these words "true and fair" are used as a symbol to denote that the basis adopted is that of acceptable and generally recognised accounting practice at that date. This, indeed, is what in fact may be concluded from a reading of paragraph 4 of the Recommendation. It would therefore be more meaningful perhaps if words to that effect were substituted for "true and fair". It is of course appreciated that the Ninth Schedule to the Companies Act, 1948, requires the "true and fair" certificate, but this fact does not prevent accountants from using a complementary certificate where another form may be considered to be an improvement.

The general point that might be made is that if meaningless labels are attached to balance sheets, even if these labels do have the vague implication of stamping the documents with universal truth, then the informed reader is apt to conclude that the contents may also be vague or meaningless.

2. (*b*) *A balance sheet . . . does not purport to show the realisable value of assets such as goodwill, land, buildings, plant and machinery (paragraph 4).*
   (*c*) *A balance sheet is not a statement of the net worth of the undertaking (paragraph 4).*

No definition of realisable is given in the paragraph; but if the conventional accounting meaning is given to the word, namely, the amount for which the asset can be currently sold, then quotation (*b*) above is surely irrelevant to the contention at issue in that paragraph that "a balance sheet is not a statement of net worth," for there seems to be an implication in the second of these quotations, (*c*) above, in its context in paragraph 4, that net worth is simply the sum of the realisable values of the separate assets. As any accountant knows, the net worth of a business is not necessarily the sum of the separate realisable values of its assets.

3. Considering quotation (*c*) above on its own, one might properly pose the question: what is the balance sheet an attempt to do? And again, whatever the accountant means it to be or to do, is this what the interested parties (such as management and shareholders) wish to be informed about? On the one hand there is the rightful claim by the accountant, either implicit or explicit, that he is very much concerned with the measurement of the value of a business and of its income. On the other hand there are statements (as in Recommendation 18) that the document which represents the culmination of much of his activity is not intended to be a measurement of the worth or value of a business.

It does surely seem that the basic definitions of Recommendation 18 (paragraphs 1 to 4) are lacking in some vital respects. Whilst something is said about what a balance sheet is not, nowhere does it seem to be stated exactly what a balance sheet is. The nearest approach to a definition seems to be the statement in paragraph 4 "a balance sheet is therefore *mainly* an historical document" (the italics are my own). It is probably true to say that any device, such as a balance sheet, for conveying information to persons should be capable of some sort of precise definition as regards what it is meant to show and the basis upon which it is prepared. In this respect there are two points that might be made. Firstly, is the balance sheet as usually presented a complete document, in the sense that it does not contain hidden assumptions? Secondly, even if such assumptions did exist but were stated explicitly on the face of the balance sheet, would it then appear as a consistent document, in the sense that the sum of its parts add up to a consistent whole?

It would seem from the above considerations that the "new definition of a balance sheet," as Mr. Saunders calls Recommendation 18, requires some careful scrutiny and possibly some re-thinking.

Yours faithfully,

E. A. LOWE, B.SC.(ECON.), A.C.A.

Leeds

Readers' Points and Queries

E.P.T. Post-War Refund—Capital or Income?

Reader's Query.—A, B and C have equal shares in the income of a trust. On the death of A, the capital of the trust goes to B and C equally. The income of the trust is derived from the profits of a farm, of which the trustees originally held a lease. An Excess Profits Tax post-war refund of £20,000 was received and set aside for development, and in 1948 the trustees used it in purchasing the farm for £20,000. To whom does the farm belong—(1) to A, B and C equally, as the post-war refund was a repayment of tax which had been borne equally by them; or (2) to B and C only, as the post-war refund had originally to be used for development only, thereby bestowing on it the nature of a capital receipt to be added to the capital of the trust?

Reply.—Post-war refunds of Excess Profits Tax were payable under Part IV of, and the Sixth Schedule to, the Finance (No. 2) Act, 1945, subject to the giving of undertakings and authorities in accordance with Sections 39 and 40 of that Act, to the effect that the net amount of a refund would be used in developing or re-equipping the trade or business concerned, and would be distributed as income, or in any form which could be turned to the personal use of shareholders, partners or proprietors.

By Section 40 (4) of the Act of 1945 "any undertaking or authority" was to be "binding on all persons who, at any time within the five years next following the date of the undertaking, carry on that trade or business . . ." Since Section 32 (1) of the Finance Act, 1953, was enacted such undertakings and authorities are no longer required, and by Section 32 (2) those already given become inoperative, but without prejudice to the right to recover a refund for any previous breach of an undertaking. Section 43 of the Act of 1945 (which has not been repealed by the Act of 1953 and which relates to income tax on post-war refunds) specifically states that "any sums so paid (by way of refund) shall be deemed to be

income for the purposes of the Income Tax Acts."

It is clear, therefore, that as between the trustees and the Revenue the post-war refund which the trustees have received is income of the trust, and that the legislation of 1945, as amended, has not itself bestowed upon the repayment the nature of a capital receipt. It does not always follow, however, that what is income between the taxpayer and the Revenue is necessarily income as between a tenant for life and a remainderman. The terms of the trust deed may also be relevant, and if there is any doubt on this score it may be desirable, in view of the sum involved and in order to protect the trustees, to obtain Counsel's opinion upon the effect of the deed in relation to the refund, and the whole of the facts.

Allowances for Maintenance of Woman and Child

Reader's Query.—A labourer whose wife left him is living with a married woman similarly separated from her husband. The labourer and the woman live as man and wife and he supports her and her child. The legal husband does not contribute to the upkeep of the woman or her child, nor does the labourer contribute to the upkeep of his legal wife.

On his pay of approximately £12 per week he suffers tax deduction as a single man. This he finds particularly onerous in view of the responsibilities he has taken on.

Is there any method by which he can claim (*a*) child allowance, (*b*) married man's allowance or other relief?

Reply.—It would appear that relief for the child can be claimed under Section 212 (2) of the Income Tax Act, 1952, if it can be proved that no other person is claiming for it. In that case the taxpayer could claim the £60 allowance for the woman under Section 218, subject to the provisions of that Section.

Annuities, etc., Payable "Free of Tax" under Pre-War Arrangements

Reader's Query.—As a student I was interested in the Taxation Note in ACCOUNTANCY for November, 1959 (pages 606–7).

Our firm acts for trustees who have to apply the rules of Section 486 of the Income Tax Act, 1952. We advised them to apply the fraction suggested in the article above referred to (49/58ths), but the trustees' solicitors pointed out that the Act specifically provides that "the appropriate fraction means the fraction the denominator of which is twenty-nine and the numerator of which is twenty-nine decreased by one for every *complete* sixpence in the pound by which the standard rate . . . exceeds five shillings and sixpence." Should not the odd threepence be ignored, making the appropriate fraction 25/29ths?

Reply.—The solicitors should be referred to Section 17 (2), Finance Act, 1959.

Deed of Covenant—Weekly Amount

Reader's Query.—A deed of covenant form for the use of Toc H members provides that a covenant may be made to pay a weekly, monthly or annual sum for the benefit of the Toc H movement. There is a note that where a member signing a covenant is paying tax at less than the standard rate, then at the end of the year he will be assessed to pay the difference. I have been making enquiries with a view to making a similar covenant for the benefit of my local church, but I have been told by the Treasurer, firstly, that a deed of covenant can be made only for an annual amount, and, secondly, that benefit can be received only to the extent that tax is paid: thus if only 4s. 9d. tax is paid, then only tax on £1 4s. 9d. per £1 can be recovered. He had heard of one church which tried to introduce a weekly covenant scheme but was told that benefit could not be claimed until after the seven-year period had expired, and only if every weekly instalment had been duly paid.

My local Inspector of Taxes says he has no part in the matter except to see that tax is recovered, and that these matters are decided by the Inland Revenue Charities Division on actual production of the deed of covenant.

Reply. — The Treasurer presumably meant that his church would not wish the covenant to be for other than an annual amount. As far as income tax is concerned there is nothing to prevent a weekly amount, and an annual amount can be paid by weekly instalments. The church would obtain repayment of tax at the standard rate, irrespective of the rate that the taxpayer pays, and there is nothing in the suggestion that the benefit cannot be claimed until the seven-year period has elapsed. If, however, the taxpayer's top rate on which he pays tax is less than the standard rate, a Section 170 assessment amounting to tax at the rate which is the difference between 7s. 9d. and the taxpayer's top rate will be levied on the annual payment.

Books Received

Income Tax Principles. By H. A. R. J. Wilson, F.C.A., and K. S. Carmichael, A.C.A. Fourth edition. Pp. ix+180. (*H.F.L. (Publishers) Ltd.:* 12s. 6d. net.)

The third edition was reviewed in ACCOUNTANCY for April, 1958, on page 200.

Green's Death Duties. Second (Cumulative) Supplement to fourth edition. By D. J. Lawday and E. J. Mann. Pp. xii + 64. (*Butterworth:* Supplement 8s. 6d., combined price 97s. 6d.)

The 4th edition was reviewed in ACCOUNTANCY for June, 1958, page 305.

British Monetary Experiments, 1650–1710. By J. Keith Horsefield. Pp. xix+344. (*G. Bell & Sons and the London School of Economics and Political Science:* £2 5s. net.)

TWO "ACCOUNTING DINNERS" were held in the House of Commons this month.

On January 6, Mr. T. Lister, the President of the Institute of Chartered Accountants of Scotland, gave a dinner in the Harcourt Room, by courtesy of Sir James Henderson-Stewart, Bt., M.P. Among the guests were: Marshal of the Royal Air Force, Lord Tedder, G.C.B.; Sir Edmund Compton, K.B.E., C.B.; Sir Cecil Crabbe; Sir Alexander Johnston, K.B.E., C.B.; Sir Charles Norton, M.V.E., M.C.; Sir Leslie Peppiatt, M.C.; Sir Richard Powell, K.B.E., C.B., C.M.G.; Sir John Senter, Q.C.; Sir Richard Sneddon, C.B.E.; Mr. Frank Bower, C.B.E.; Mr. H. Carleton Greene, O.B.E., and Mr. J. Latham, C.B.E. Guests from the Institute of Chartered Accountants in England and Wales included: Sir Harold Gillett, Bt., M.C.; Sir Harold Howitt, G.B.E., D.S.O., M.C.; Sir William Carrington and Mr. Alan S. MacIver, C.B.E., M.C. There were no formal speeches.

On January 13, Mr. Edward Emmerson, President of the Institute of Cost and Works Accountants, gave a dinner in the Members' Room, by courtesy of Mr. Geoffrey Stevens, M.P. Included among the guests were: His Excellency Dr. A. J. R. van Rhijn (High Commissioner for the Union of South Africa); His Excellency Lt. Gen. Mohammed Yousef Khan (High Commissioner for Pakistan); Sir Gilbert McCall Rennie, G.B.E., K.C.M.G., M.C. (High Commissioner for Rhodesia and Nyasaland); Mr. Sidney Barton, J.P.; Sir Edmund Compton, K.B.E., C.B.; the Rt. Hon. Lord Jenkins, P.C.; the Rt. Hon. Lord Milne; Sir Richard Powell, K.B.E., C.B., C.M.G.; the Rt. Hon. Lord Ritchie of Dundee; the Rt. Hon. the Earl of Verulam; and Sir Cecil Weir, K.C.M.G., K.B.E., M.C., D.L. Among members of the Institute of Chartered Accountants in England and Wales who were guests were: Mr. C. U. Peat, M.C. (President) and Mr. Geoffrey Stevens, M.P.; and Mr. Alan S. MacIver, C.B.E., M.C. (Secretary), was also a guest. No formal speeches were given.

The Student's Columns

A REMINDER ABOUT LIFE ASSURANCE RELIEF

THE RELIEF TO be allowed to a taxpayer who is an individual in respect of life assurance premiums paid by him varies according to whether the insurance or contract was made before or after June 22, 1916. If it was made before that date, the taxpayer is entitled to a *deduction from the income tax charged on his income* of an amount equal to tax at the appropriate rate on the amount of the premium. The appropriate rate varies with the taxpayer's income: where the total income does not exceed £1,000, the rate is 3s. 6d. in the £; for incomes between £1,000 and £2,000, it is 5s. 3d. in the £; for incomes in excess of £2,000 it is 7s. in the £. A marginal relief is provided.

As the majority of current policies were entered into after June 22, 1916, the remainder of this article will deal with the relief appropriate to them. The contract must be made with an assurance office legally established within Her Majesty's Dominions, India or the Republic of Ireland or lawfully carrying on business in the United Kingdom; or with underwriters who are members of Lloyds; or with any other association of underwriters approved by the Board of Trade; or with a registered friendly society; or, in the case of a deferred annuity, with the National Debt Commissioners. Except as stated in the next paragraph, the assurance must be on the life of a taxpayer or his wife, and the premium must be paid by him or his wife. Relief will be given only in respect of premiums payable on policies for securing a capital sum on death, whether or not any other benefit is included. Hence an endowment policy which matures after a fixed period of time is eligible if it includes a provision that it will mature on earlier death. In the case of personal accident policies where the benefits relate to injuries and death, the premium should be apportioned, the part relating to the death benefit being available for relief.

Life assurance relief may be claimed on policies made in connection with any superannuation or *bona fide* pension scheme for the benefit of the employees of any employer or for the benefit of employees in a particular trade, profession or vocation, or for the benefit of the wife or widow of any such employee or his children or other dependants. Relief is also given on policies taken out by teachers at schools known in 1918 as secondary schools pending the establishment of a superannuation or pension scheme for those schools.

No relief can be claimed in respect of that part of the premium which exceeds seven per cent. of the capital sum assured (but see below the position where the aggregate premiums do not exceed £25). In calculating the capital sum assured nothing must be included for any sum payable on any contingency other than death; or for the value of any premiums agreed to be returned; or for any bonuses receivable before or after death. The aggregate premiums must not exceed one-sixth of the total income. The term "total income" means the income charged under each Schedule plus income taxed at source less charges (for example, bank interest, annual payments, relief for National Insurance contribution). The life assurance relief is deducted, like the other personal reliefs, from the taxpayer's income in computing the amount on which tax is payable. The relief is two-fifths of the allowable premiums, except that if these do not exceed £25 the deduction is £10 or the amount of the premiums, whichever is the less. Where, however, the aggregate premiums do not exceed £25, the "seven per cent." restriction in respect of premiums paid does not apply.

Illustrations:

Facts	*Relief*
(1) Taxpayer took out in 1959 a policy on his daughter's life for £1,000—premium £15.	Nil. Policy not on his own or wife's life.
(2) Taxpayer took out in 1938 a policy on his wife's life for £2,000, premium £150; bonuses to date £600.	On two-fifths of £140=£56. Bonuses must be ignored.
(3) Taxpayer took out a policy in 1958 on his own life for £1,000, premium payable £20. No other premiums are payable.	Relief on £10, as aggregate premiums exceed that sum but not £25.
(4) Taxpayer took out a policy in 1957 on his own life for £100, premium payable £9. No other premiums are payable.	Relief on £9, as aggregate premiums do not exceed £10 and the "seven per cent." restriction does not apply.

INVESTMENT ACCOUNTS

INVESTMENT ACCOUNTS AFFORD an excellent example of the importance of the distinction between capital and revenue, for the purchase and sale of investments and the receipt of interest and dividends on them display some less obvious features of the distinction. The assets are acquired at a certain date, and the income is considered to have accrued from day to day, as from the date of purchase. Thus if a government security was purchased on March 1 and six months' interest was received on the following June 1, one half of the interest received must be regarded as a capital receipt, only three months interest being income available for transfer to the profit

and loss account. Similarly, when the sale price of securities incorporates interest or dividends from the last date of payment, part of the sale price is in reality income.

What has been said in the preceding paragraph refers to instances, the normal ones, when securities are bought or sold cum dividend (or *cum div.*). Sometimes, however, transactions are *ex div*. We discussed fully the difference between *cum div.* and *ex div.* transactions in an article in The Student's Columns in our issue of August, 1957, pages 363–5, and we also showed the book-keeping treatment. Some other aspects of investment accounts were also covered in that article, which should be read in conjunction with the present one.

Investment accounts should be ruled with three columns on each side—one for the nominal value or number of shares, one for income and one for capital. As income is received it is entered on the credit side in the income column. In the usual case of a purchase *cum div.*, the portion of the purchase price representing the accrued dividend (less tax) is debited to the income column, the balance, representing the capital cost, being taken to the capital column. It will be seen that there will be a set off on the debit side of income against the whole dividend received after purchase, with the result that the balance in the income column will represent the dividend commencing with the date of commencement of ownership. In the same manner, when investments are sold *cum div.*, the amount representing accrued income is credited to the income column and the balance of the proceeds of sale credited to the capital column. (For the *ex div.* entries, see our earlier article.)

If part of the holding is sold, care must be taken to see that the balance still in ownership is brought down at cost. If many purchases and sales have taken place, an average price must be used, and the profit or loss transferred to a separate profit or loss on sale of investments. There is no need, generally speaking, to adjust the balances on the investment account to current market value. If market value exceeds book value, no action should be taken, although it is advisable (and under the Companies Act, 1948, it is essential) for a note of the market value of quoted investments to appear on the balance sheet. If depreciation of a permanent nature has occurred, a general provision should be made.

A company may make a scrip or capitalisation issue (sometimes called a "bonus" issue) out of its reserves, usually with the prime intention of bringing its share capital in line with the capital employed. The step does not alter the assets representing the share capital plus the reserves, although the market value of the shares may well increase, perhaps because it is expected that a higher total of dividends will be paid on the enlarged capital than on the old, or because a more active market is created by the increase in the number of shares, and perhaps also by a decrease in the nominal (and market) value of each share. The shareholder who receives the new shares does so without outlay and thus no value should be put on them, a note being made in the investment account of the increased number held. If some or all of the new shares are sold, credit should be taken for any profit on the sale. The proceeds would contain some element of profit on the original holding before the sale of new shares was made. The amount of the realised profit will be clearly indicated so long as the balance of shares remaining is brought down at cost. For example, 10,000 shares are bought for £12,500 (25s. each) and a scrip issue of 10,000 shares is later made. Thus 20,000 shares cost £12,500 (12s. 6d. each) and should there be a sale of, say, 10,000 shares at £9,000 (18s. each) the balance retained (10,000) will be brought down at 12s. 6d. each (£6,250), giving a realised profit of £2,750.

When there is a rights issue (see the article in The Student's Columns in ACCOUNTANCY for November, 1959, pages 624–5) and a shareholder sells his rights, the proceeds of sale should be credited to the relevant investment account (capital column), thus reducing the book value of the original holding.

As already indicated, it is usual to bring down at cost the balance of shares remaining; if there are several purchases and sales during the accounting period, the average cost of all the purchases during the period plus those in hand at the beginning will be taken. Nonetheless, the "first-in-first-out" (F.I.F.O.) principle could be followed, the assumption being that the balance remaining is made up of the latest purchases. It may, in practice, be possible to identify the sales with the purchases. Again, in trust accounts, notwithstanding the important distinction between income, which is payable to the life-tenant, and capital, which is held in trust for the ultimate benefit of the remainderman, the law does not require an apportionment of the purchase price or of the proceeds of sale. Finally, income at the end of the period of account may not have been received although accrued due. The amount of such accrual may be brought in if it can be be computed; in trust accounts, however, it should not be brought in; only the income actually received should be so treated.

Consider the following examination question:

> A.B. Investment Trust Ltd. owned 6,000 Ordinary shares in Z Ltd. of £1 each, the book value at December 31, 1957, being £7,800. Dividends are not to be apportioned. On January 31, 1958, 1,000 shares were sold for £1,970. On April 10, 1958, Z Ltd. made a scrip issue of three fully-paid shares for every five held, and gave its members the right to apply for one share for every two held at March 31, 1958, at a price of 25s. per share—15s. payable on May 31 and 10s. on July 31. The new shares were not to rank for dividend for the year ended March 31, 1958. A.B. Investment Trust Ltd. received the "bonus" shares from the scrip issue and took up 2,000 under the rights issue, selling the remaining rights for 5s. each on April 15, 1958.
>
> On July 31, 1958, a final dividend of 20 per cent. less tax at 8s. 6d. was received for the year ending March 31, 1958, and on December 1, 1958, an interim of 5 per cent. less tax on account of the year ended March 31, 1959. Show the investment account for the year ended December 31, 1958.

The solution would be as follows:

Z LTD. ORDINARY SHARES

1958		Nominal Value £	Income £	Capital £	1958		£	Nominal Value £	Income £	Capital £
Jan. 1	Balance	6,000		7,800	Jan. 31	Sale		1,000		1,970
Apl. 10	Scrip issue	3,000		—	Apl. 15	Sale of rights (500) ..				125
May 31	Shares taken up under rights issue (15s. paid)	2,000		1,500	July 31	Dividend on 5,000 shares ..	1,000			
						less tax ..	425			
July 31	Balance due on shares (10s.)			1,000					575	
Dec. 31	Transfer to income on investments ..		1,500			Taxation			425	
	Profit on sale of investment			670	Dec. 1	Dividend on 10,000 shares ..	500			
						less tax ..	213			
									287	
						Taxation			213	
					Dec. 31	Balance carried down		10,000		8,875
		11,000	1,500	10,970				11,000	1,500	10,970
1959										
Jan. 1	Balance	10,000		8,875						

Note: 1. The profit on sale is calculated as follows: Proceeds of sale of 1,000 shares £1,970, *less* cost $\left(\frac{1,000}{6,000}\times £7,800\right)$ £1,300 = £670.

2. The dividends received are grossed up, taxation account being debited, and are subsequently transferred to income and expenditure account.

Notices

The **Accountants' Christian Fellowship** will hold a meeting for Bible reading and prayer at 6 p.m. on February 1 in the vestry of St. Mary Woolnoth Church, London, E.C.3. The scripture will be Romans 13, verses 7–10 (love the fulfilment of the law). A film, "The Quest," will be shown on February 23 at 6 p.m. in the Oak Hall of the Institute of Chartered Accountants in England and Wales. This will be followed by the annual general meeting of the Fellowship. All who are interested will be welcome.

The **Netherlands Institute of Accountants** announces that its new President is Mr. H. C. Treffers. The Vice-President is Mr. C. Bakker.

Contributors to the **Hospital Service Plan** of the London Association for Hospital Services provide for the expense of specialist treatment in the private wards of hospitals or in nursing homes, as well as of nursing at home and certain out-patient services. A private room, with less restricted visiting hours and the use of a telephone, makes it easier to keep in touch with personal and business affairs. The normal yearly contribution for a single individual is £7 7s. (or £6 19s. if paid by bankers' order), ranging up to £29 8s. (£26 14s. by bankers' order) for a family on the highest scale of benefits, amounting to £750 each in a contribution year. Concessionary rates are available if contributions are paid in bulk on behalf of a group formed by a firm. Further information is obtainable from the Hospital Service Plan, Tavistock House South, Tavistock Square, London, W.C.1. A reply-paid card is inserted in this issue of ACCOUNTANCY.

At a recent meeting of the **Dublin Society of Chartered Accountants,** Mr. John Love, F.C.A., Chairman of the Society, introduced a distinguished member of the Irish Bar, who spoke on "The Industrial Development (Encouragement of External Investment) Act, 1958." Tracing the history of legislation affecting industrial development in the Republic of Ireland since 1932, when a policy of intensive industrialisation had been introduced, the speaker said that the aim had been to encourage the participation of foreign interests but to avoid the establishment of "branch plants" completely under foreign control and therefore liable to be arbitrarily closed down or reduced in scale. A number of hypothetical examples were given to illustrate the possible effects of the Act.

The Institute of Chartered Accountants
in England and Wales

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, January 6, 1960, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. C. U. Peat, M.C., President, in the chair; Mr. S. J. Pears, Vice-President, Mr. E. Baldry, O.B.E., Mr. C. Percy Barrowcliff, Mr. W. L. Barrows, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E.; Mr. P. F. Carpenter, Sir William Carrington, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. S. Dixon, Mr. W. W. Fea, Sir Harold Gillett, M.C., Mr. J. Godfrey, Mr. G. G. G. Goult, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Mr. J. A. Jackson, Mr. H. O. Johnson, Mr. W. H. Lawson, C.B.E., Mr. H. L. Layton, Mr. R. B. Leech, M.B.E., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. R. P. Matthews, Mr. W. E. Parker, C.B.E., Mr. F. E. Price, Mr. P. V. Roberts, Sir Thomas Robson, M.B.E., Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. A. D. Walker, Mr. A. H. Walton, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C., Mr. E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Secretary and members of the Secretariat.

Mr. I. A. F. Craig

The Council received with regret the resignation of Mr. I. A. F. Craig, O.B.E., B.A., as from December 31, 1959, and recorded its appreciation of his services to the Institute as an Assistant Secretary since December, 1957.

Mr. Craig was appointed Assistant Secretary of the Society of Incorporated Accountants in September, 1946. He became Secretary of the Society on January 1, 1950, which appointment he held until the Society was integrated with the Institute.

Officers of the Institute

The Council resolved that as from January 1, 1960, Mr. F. M. Wilkinson, F.C.A., an Assistant Secretary, be appointed Deputy Secretary of the Institute and that Mr. C. H. S. Loveday, F.C.A., Mr. W. M. Allen, B.A., and Mr. C. A. Evan-Jones, M.B.E., Assistant Secretaries, be appointed Under-Secretaries of the Institute.

Registration of Articles

The Secretary reported the registration of 256 articles of clerkship during the last month, the total number since January, 1959, being 2,680.

Admissions to Membership

The following were admitted to membership of the Institute:

BRUCE, DOUGLAS MALCOLM; A.C.A., 1960; Leigham Manor, Plympton, S. Devon.

CHERRINGTON, RONALD DENNIS; A.C.A., 1960; 70 West Way, Bournemouth.

OWUSU, JEREMIAH DIXON; A.C.A., 1960; P.O. Box 402, Accra, Ghana.

ROBSON, JAMES LEATHART, B.SC.(ECON.); A.C.A., 1960; The Garden Flat, 45 Maresfield Gardens, London, N.W.3.

SCRIBBINS, PHILIP WOODLEY; A.C.A., 1960; Rue de Beaumont, 11 Geneva, Switzerland.

THORNE, BARRY; A.C.A., 1960; 59 Chestnut Road, Northampton.

WEBB, ALAN DAVID; A.C.A., 1960; 21 Edinburgh Road, Queens Park, Northampton.

Fellowship

The Council acceded to applications from sixteen associates to become fellows under clause 6 of the Supplemental Royal Charter.

It was reported to the Council that 11,782 associates had become fellows on January 1, 1960, in accordance with Clause 6 of the Supplemental Royal Charter.

F.S.A.A.

It was reported to the Council that 921 incorporated accountant members A.S.A.A. had become F.S.A.A. on January 1, 1960, under Clause 7 of the Supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

BELL, RODNEY GEORGE; A.C.A., 1958; (Critchley, Ward & Pigott), Boswell House, 1/5 Broad Street, Oxford; and at Bicester; also at Abingdon and Wantage, (Critchley & Co.).

BERMAN, JOHN DAVID; A.C.A., 1958; 57 Belvedere Road, Leyton, London, E.10.

COLLEY, JAMES EDWARD; A.C.A., 1959; 38 South Street, Chichester, Sussex.

DARNELL, JOHN RAYMOND; F.C.A., 1960; (Darnell & Co.), National Provincial Chambers, 7 Brookdale Terrace, Dawlish, Devon.

FLORY, PETER CLIFFORD, M.A.; A.C.A., 1956; 5 Lyndhurst Drive, Harpenden, Herts.

GOODALL, DAVID PHILIP; A.C.A., 1954; (Tiptaft, Smith & Goodall), 1 Cliff Street, Mexborough, and at Wombwell.

GOTTESMAN, JOHN MICHAEL; A.C.A., 1959; 73 Aubert Court, Avenell Road, Highbury, London, N.5.

HARWOOD, PETER HERBERT; A.C.A., 1956; (Sharp & Jordan), 33 Blackfriars Street, Manchester, 3.

HINTON, MICHAEL HERBERT; A.C.A., 1959; (Sunderland, Mountstephen & Co.), 15 Eastcheap, London, E.C.3, and at Ashtead.

HODGSON, THOMAS THORNTON; F.C.A., 1960; (Lucraft, Hodgson & Co.), 17 Queens Road, Brighton, 1.

HOMER, ARNOLD JOHN; A.C.A., 1957; "Meadow End," Corngreaves Road, Cradley Heath, Staffs.

KENMIR, EDWARD CAWTHORNE; A.C.A., 1958; (Chipchase, Wood & Co.), Barclays Chambers, Market Place, Durham, and at Bishop Auckland, Barnard Castle and Middlesbrough; also at London, (Chipchase, Wood & Jacobs).

MORRIS, JACOB; A.C.A., 1952; (Morris & Co.), 6 Haven Court, Southbourne Overcliff Drive, Bournemouth.

ROSSITER, RICHARD WELSTEAD; A.C.A., 1957; Banff House, Downend Road, Downend, Bristol.

SHAW, KENNETH GRAHAM; A.C.A., 1957; (Fred Thornley & Co.), 121A Stamford Street, Ashton-under-Lyne.

SWANN, PHILIP REGINALD, B.SC.(ECON.); A.C.A., 1955; (Norfolk, Pawsey & Co.), 93 Station Road, Clacton-on-Sea, Essex.

TAYLOR, MICHAEL RONALD; A.C.A., 1953; 78 Solihull Road, Shirley, Solihull, Warwickshire.

THOMAS, NORMAN GERARD; A.C.A., 1958; (S. 1955); (Ross, Jones & Co.), 6 Walter Road, Swansea, and at Cardiff.

WOOD, JOHN ALAN; A.C.A., 1959; (*Wood, Aldrich, Saunders & Co.), 34 Clinton Close, Knaphill, Woking, Surrey.

Admission to Membership under the Scheme of Integration

One application from a member of the Society of Incorporated Accountants for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the Supplemental Royal Charter was refused.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Readmissions to Membership

Subject to payment of the amounts required by the Council, three former members of the Institute were re-admitted to membership under clause 23 of the Supplemental Royal Charter. One application under clause 23 was refused.

Admissions Void

The Secretary reported that the admission to membership of the following persons had become void under bye-law 41:

EEKHOUT, DAVID JOHN; A.S.A.A., 1959; P.O. Box 1152, Johannesburg, S. Africa.
SCARR, WILLIAM LOWTHER; A.C.A., 1959; Wharfedale Hall, Boston Spa, Yorkshire.

Resignations

The Council accepted the resignations from membership of the Institute of:

ARIS, DOUGLAS HEATH; F.C.A., 1958; c/o Hays, Akers & Hays, 30 Cursitor Street, London, E.C.4.
BEAN, HUBERT KENNETH; (1958); A.S.A.A., 1953; Park Cottage, Hatchet Lane, Stonely, Huntingdon.
BEAVER, GEORGE WILLIAM; (1958); A.S.A.A., 1948; c/o Borough Treasurer's Dept., Town Hall, Wolverhampton.
CALVERT, STANLEY; (1958); A.S.A.A., 1926; Borough Treasurer, Borough Treasurer's Office, Town Hall, Wallsend-on-Tyne.
DISLEY, HAROLD ROSTRON; F.C.A., 1930; Overlea, Howard Drive, Hale, Cheshire.
HUNT, ROYDEN CLAUDE; A.C.A., 1958; (S. 1926); c/o Veller Snow & Co., 54 Quarry Street, Guildford, Surrey.
STACPOLE, FREDERICK AUBREY; M.A., A.C.A., 1922; 323 Salisbury House, London, E.C.2.
WHITBOURN, MARTIN SAMUEL; A.C.A., 1958; (S. 1949); 14 Holly Road, Cove, Farnborough, Hants.
WILLIAMS, FRED; (1958); A.S.A.A., 1925; Five Oaks, Hunston, near Chichester.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

ALLEN, RUPERT WILLIAM, F.C.A., Croydon.
ASPINALL, PHILIP ARNOLD, A.C.A., Birmingham.
AUSTIN, JAMES ADAMS, A.C.A., London.
BRABNER, JOHN WESLEY, F.C.A., Jersey.
BURGIS, HERBERT CLIFFORD, F.C.A., Leamington Spa.
CRITCHLEY, HENRY SAMUEL, F.C.A., Oxford.
FAIRBANK, ALEC THOMAS, A.C.A., Worcester Park.
GARDNER, JAMES CHALONER, F.C.A., London.
GILL, RICHARD ROBERT, A.C.A., Southampton.
GRIFFITHS, CHARLES PERCY, F.C.A., Birmingham.
HENZELL, THOMAS GIBSON, A.C.A., Blaydon-on-Tyne.
HUTCHINSON, WILLIAM HENRY HEAP, M.C., F.C.A., Hull.
JEFFS, RALPH HENRY, F.C.A., Pontypridd.
LEACH, DENNIS KENT, A.C.A., Luton.
LEESE, REGINALD GEORGE, A.C.A., Stoke-on-Trent.
MCMINN, WILLIAM HENRY, F.C.A., Leeds.
MADEN, JOHN FIRTH, A.C.A., Bangor.
MILLINGTON, CARL, A.C.A., Birmingham.
PATERSON, ROBERT STANLEY, M.A., F.C.A., London.
PEIRSON, JOHN EDMUND, F.C.A., Hadley Wood.
ROBINSON, CLAUD, A.C.A., Nottingham.
ROTHWELL, HARRY, A.C.A., Blackpool.
ROWLAND, SIR FREDERICK, BT., F.C.A., London.
STEMBRIDGE, PERCY GLADSTONE, F.C.A., Birmingham.
STRICKLAND, PETER EDWARD, A.C.A., Pudsey.
SURNEY, ALFRED CHARLES, F.C.A., London.
THOMPSON, WILLIAM, A.C.A., Richmond, Surrey.
WHITNEY, TOM PERCIVAL, A.C.A., Nelson.
WILLIAMSON, EDWARD GIBSON, A.C.A., Bradford.
WOOD, EDWARD, F.C.A., Burnley.
WOOD, GEORGE, A.C.A., Leeds.

Finding and Decision of the Appeal Committee

Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at hearings held on September 2 and December 2, 1959.

The Appeal Committee heard an appeal against the Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that Ian McEwen, A.C.A., was by an Order of the High Court of Justice dated February 9, 1959, adjudicated bankrupt, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against Ian McEwen, A.C.A., had been proved and the Committee affirmed the Decision of the Disciplinary Committee that Ian McEwen, A.C.A., of 7, The Ridgeway, Golders Green, London, N.W.11, be excluded from membership of the Institute.

Taxation and Research Committee

THE ONE-HUNDRED-AND-SIXTH meeting of the Taxation and Research Committee of the Institute of Chartered Accountants in England and Wales was held at the Institute on Thursday, December 10, 1959.

Present

Mr. A. H. Proud (in the chair), Mr. G. F. Ansell, Mr. C. W. Aston, Mr. R. D. R. Bateman, M.B.E., Mr. C. V. Best, Mr. A. Blackburn, Mr. R. P. Brown, Mr. J. Cartner, Mr. J. B. L. Clark, C.B.E., Mr. L. H. Clark, Mr. S. M. Duncan, Mr. W. F. Edwards, Mr. N. Cassleton Elliott, Mr. A. R. English, Mr. E. S. Foden, Mr. C. R. P. Goodwin, Mr. N. B. Hart, O.B.E., T.D., Mr. W. S. Hayes, Mr. J. S. F. Hill, Mr. G. N. Hunter, Mr. R. O. A. Keel, Mr. J. A. B. Keeling, D.F.C., Mr. H. Kirton, Mr. S. Kitchen, Mr. E. N. Macdonald, D.F.C., Mr. C. F. Millard, Mr. G.P. Morgan-Jones, Mr. F. S. Mowforth, Mr. L. Pells, Mr. C. J. Peyton, Mr. D. W. Robertson, Mr. H. Eden Smith, Mr. D. E. T. Tanfield, Mr. D. T. Veale, Mr. J. W. Walkden, Mr. T. S. Welch, and Mr. G. H. Yarnell, with the Secretary.

Council Memoranda

It was reported that, following the submission of memoranda by the Taxation and Research Committee, the Council had authorised the submission of memoranda to the Chancellor of the Exchequer on Building Societies and on Overseas Trade Corporations. The Council had also authorised the sending of a letter to the Chairman of the Board of Inland Revenue in connection with the review of the penalty provisions of the Income Tax Acts.

Standing Sub-Committees

Reports from the following Standing Sub-Committees were received: General Advisory Sub-Committee, Management Accounting Sub-Committee, Taxation Sub-Committee, Planning Sub-Committee.

Ad hoc Sub-Committees

Progress reports were received from three special sub-committees.

Future Meetings

The next meeting of the Committee will be held on Thursday, February 18, and the following dates were provisionally agreed for other meetings in 1960: Thursdays, April 21, June 16, September 22, October 20, December 15, 1960.

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Better Methods in the Building Trades: 10 Case Studies. (British Productivity Council.) 1959. (B.P.C., 5s.)

Compensation and the Town and Country Planning Act, 1959; by F. V. Corfield. 1959. (Solicitors' Law Stationery Soc., 77s. 6d.)

Cost Accountants' Handbook; ed. by T. Lang. New York. 1958. (Ronald Press, 96s.)

The Dynamics of Management. (American Management Association.) New York. 1958. (A.M.A., 30s.)

The Economics of Money; by A. C. L. Day. 1959. (O.U.P., 7s. 6d.)

European Organisations: 1959. (Political and Economic Planning.) 1959. (P.E.P., 30s.)

15 to 18: a report of the Central Advisory Council for Education (England): Vol. 1: report. (Ministry of Education). 1959. (H.M.S.O., 12s. 6d.)

Financial Management; by A. Donnelly. Sydney. 1959. (Butterworths, 40s.)

Guides to Successful Accounting Practice; (ed.) by B. B. Isaacson. New York. 1959. (American Institute of Certified Public Accountants, 32s.)

How the City Works; by Oscar Hobson: 6th edn. 1959. (*News Chronicle*, 8s. 6d.)

Income Tax Principles; by H. A. R. J. Wilson, F.C.A., and K. S. Carmichael, A.C.A.: 4th edn. 1959. (H. F. L., presented, 12s. 6d.)

The Measurement of National Wealth: income and wealth series VIII; ed. by R. Goldsmith and C. Saunders. 1959. (Bowes & Bowes, 45s.)

Principles of Cost Accountancy; by C. I. Buyers and G. A. Holmes. 1959. (Donnington Press, 35s.)

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*This has been presented to all District Society Libraries under the grant of books scheme.

London Students' Dinner

THE FORTY-SIXTH ANNUAL dinner of the Chartered Accountant Students' Society of London was held at Grosvenor House on December 14. Mr. W. E. Parker, C.B.E., F.C.A. (President of the Students' Society) was in the chair. There was a record attendance, among the 1,450 members and guests present being General Sir John Chaddesley Westall, K.C.B., C.B.E. (formerly Commandant-General, Royal Marines); the Lord Ritchie of Dundee (Chairman, Council of the Stock Exchange); Mr. C. U. Peat, M.C., M.A., F.C.A. (President of the Institute of Chartered Accountants in England and Wales); Mr. S. J. Pears, F.C.A. (Vice-President of the Institute); Mr. H. John S. French, O.B.E., B.C.L. (Chairman, Issuing Houses Committee); The Rt. Hon. Sidney J. Barton, J.P. (Chairman of the London County Council); Sir Harold Gillett, Bt., M.C., F.C.A. (Vice-President of the Students' Society); Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., D.L., F.C.A. (Past President of the Institute, Vice-President of the Students' Society); the Rt. Hon. Lord Ebbisham, T.D. (President of the London Chamber of Commerce); the Rt. Hon. Sir James Grigg, K.C.B., K.C.S.I. (Deputy Chairman, National Provincial Bank); Sir Harold Barton, F.C.A. (Past President of the Institute, Vice-President of the Students' Society); Sir Thomas Robson, M.B.E., M.A., F.C.A. (Past President of the Institute, Vice-President of the Students' Society); Sir Edmund Compton, K.B.E., C.B., M.A. (Comptroller and Auditor General); Sir Theobald Mathew, K.B.E., M.C. (Director of Public Prosecutions); Mr. D. V. House, F.C.A. (Past President of the Institute); Sir Alexander Johnston, K.B.E., C.B. (Chairman of the Board of Inland Revenue); Mr. Gerald Gardiner, Q.C. (Chairman, General Council of the Bar); Mr. R. P. Baulkwill, C.B.E. (Public Trustee); Sir Sydney Littlewood (President of the Law Society); the Rev. A. J. Drewitt, M.A., B.SC. (Rector of St. Margaret's, Lothbury); Mr. J. R. C. Hale (Master of the Grocers' Company); Mr. C. D. Morley (Secretary, Council of the Stock Exchange); Mr. J. H. James, C.B. (Deputy Master and Comptroller, The Royal Mint); Sir Cyril Hawker (Executive Director of the Bank of England); Mr. E. H. Nichols, T.D., B.A., LL.B. (Town Clerk, City of London); Professor Sir Arnold Plant, B.SC.(ECON.), B.COM. (Sir Ernest Cassel Professor of Commerce, University of London); Professor G. S. A. Wheatcroft, J.P., M.A. (Professor of English Law, University of London, Editor of *The British Tax Review*).

General Sir John Chaddesley Westall, K.C.B., C.B.E., proposing the toast of the Students' Society, said that on being invited to speak, the first thing he did was to try to find out a little more about the Society—and in his ignorance he had no idea that they all had to be members of the Society. He could think of no more admirable regulation—seeing that principals were required to pay the entrance fees and subscriptions. (*Laughter.*)

He had often been asked whether he could present any formula for success. The answer was: no, he could not. He did not think one existed, unless it were in those two slightly hackneyed terms industry and integrity. Before he knew any better, he always thought or imagined that accountancy consisted solely of juggling with figures. Now he knew he was wrong. He did not think that pure accountancy existed any longer. The object of the Society was to give its members that broader vision and wider education which their craft required, although he fully realised that this wider knowledge was not for passing examinations.

There was no doubt that during their years of articles they were under great pressure. But the rewards were high. They had only to look around in the world of business—or any other world nowadays—to see how many of their profession held the highest posts. They had only to look round that room. At the moment their profession was very much in vogue, and he was sure they would agree that the Society as such had done an enormous amount to foster this. (*Applause.*)

Mr. Michael W. Russell, A.C.A. (Chairman of the Committee), responding, said he ought to say something about the Society and what it did, and he should look to the future rather than to the past. Auditors looked backwards and the rest of the profession endeavoured to look forward. The Committee would be delighted to see the attendance they had that evening at the lectures, even if it meant getting a bigger hall.

The Students' Society was trying to develop a sense of comradeship. He felt they needed that sense of professional comradeship, and he was not being naive when he said: "Attend Students' Society lectures and attend Students' Society functions."

Mr. Russell then proposed the toast of the President of the Students' Society. Mr. Parker, he said, was very much a Students' Society-minded member of the Council of the Institute.

Mr. W. E. Parker, C.B.E., F.C.A. (President of the Students' Society), responded, and proposed the toast of the visitors. He said the success of the Students' Society was due in very great measure to the work of Mr. Russell and his Committee and the permanent officials of the Society, particularly Mr. Carter, the Secretary, and Miss Large, the Assistant Secretary. At that dinner there were 1,460 people present, and they were grateful for the work of Miss Gill, the dinner secretary. (*Applause.*)

The Institute Committee on Education and Training, under his chairmanship, had been sitting on a clutch of eggs for 15 months, and hoped to hatch them out in due course.

Among the visitors, he would like to mention the representatives of the provincial students' societies, and those of their lecturers who were present. They were particularly grateful to those who had consented to propose or to reply to toasts. They were privileged to have as official guests distinguished presidents, chairmen, and other high office holders of almost everything in sight in the City of London. They were all so frightfully eminent that he could mention only two: Mr. Gerald Gardiner, Chairman of the Bar Council, and Sir Sydney Littlewood, President of the Law Society. (*Applause.*)

Professional men were not permitted—nor would they wish—to advertise themselves individually. It was, however, proper for them to display themselves collectively, and this was an occasion when they could show their distinguished guests a sample of the coming generation of chartered accountants. He did hope they had made the right impression. (*Laughter*). For the virtues they should display, they might well take a leaf out of the First Epistle of St. Peter—the first eight verses of the fifth chapter. If they would read that passage at home, they would find it started with extremely good advice to principals and followed it with extremely good advice to articled clerks.

Mr. H. John French, O.B.E., B.C.L. (Chairman, Issuing Houses Committee), in response, said that it was not given to

many people associated with issuing houses to see all together at once such an absolute shoal of pilchards, or of potential business bringers to business houses. That being the case, and their President being most concerned with the education and training of students, he must of course say that the principal aim of this training should be to din into them that whenever anyone with money-raising problems came along the first thing they should think of must be an issuing house. (*Laughter.*)

They had perhaps noted that some issuing houses had been concerned recently with takeover bids. He would say that he could find no fault with the successful merger between the Chartered and the Incorporated Accountants. He had one slight suggestion to offer, however: the Institute List of Members took no cognisance of partners in firms unless they were qualified in England. It could be embarrassing to go to see a man whom one assumes to be an articled clerk, because his name was not in the book, only to find that in reality he was the senior partner. (*Laughter.*) Perhaps they could print the names of Scottish partners in Gaelic (*laughter*) and of Irish ones in Erse, and so on, but please put them in somehow. He hoped that was constructive criticism.

Lord Ritchie of Dundee (Chairman of the Council of the Stock Exchange), proposing the toast of the Institute of Chartered Accountants in England and Wales, said that accountancy was one of our most honoured and honourable professions. Apart from that, it was an invaluable training for almost any other walk of life—stockbroker included. They had certain advantages over other professions—advantages which, in some respects, they shared with the legal profession. When business was good on the Stock Exchange and in the world in general it was to be presumed that business was also good for accountants; but when business was bad for others it was still good for accountants, because firms or companies get into a mess and the first thing they did was to send for the accountant. Another major advantage was that in the main they were dealing with fact and not with theory. Their advice, therefore, could be to some extent exact. He was not saying the advice of a stockbroker was necessarily guesswork, but the trouble was that the commodity in which he dealt—stocks and shares—was not susceptible to any technical knowledge.

He would very much like to see some hope of a return to what they had before the war, some form of averaging private firms' profits. He would give an illustration of what happened to a friend of his a few years ago. His firm made a loss, and the following year he received a cheque from the Inland Revenue. The cheque, which was for himself personally, was of such a size that if it had been his net income, his share of his firm's profits in the year concerned would have been £146,260. Did he need to say any more about the present system? It seemed to him not to be very sensible.

Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), in response, expressed his appreciation of the excellent arrangements for that magnificent banquet, and congratulated Miss Gill, the Dinner Secretary. He was delighted that Sir Harold Gillett was with them again after his arduous year of high office.

The Institute today was a thriving powerful body and, like any other healthy organism, it was much preoccupied with growing and pushing out new shoots and branches. Their President, Mr. Parker, was chairman of the Education and Training Committee, probably the most important committee the Council had ever set up, because on its deliberations and recommendations the future of the profession depended.

The Parker Committee was concerned with every aspect of the education and training of future generations of chartered accountants. So much so that to nearly every question he had been asked in meetings with students in the Districts he had to answer that it was being considered by the Education and Training Committee and was therefore *sub judice*—an easy answer for him, but not very satisfactory to the questioner.

He had been amazed at the genius, and it was nothing less, which Mr. Parker had shown in gradually reducing the colossal amount of evidence, written and oral, into digestible proportions from which decisions could be made. The Committee's terms of reference were all-embracing, its work was tremendous and its recommendations, when they were made, would be of vital importance. A tribute must be paid to the staff of the Institute who had succeeded in producing order out of the mass of oral and written evidence which had been arriving by every post. Thanks were also due to the officers and members of their Society who had so ably dealt with the questionnaires circulated to them.

His father, as Vice-President, when addressing their predecessors in 1905, said: "When I see before me something like 130 gentlemen, most of whom aspire to become members of our Institute, and some of whom are already members, I fail to see how we can look otherwise than with hope upon the future of this Institute." His father went on to say, speaking of the progress of the Institute, "That progress depends not alone upon the old grey beards that surround me, but upon the young and happy faces that I see around me."

That was rather an Edwardian way of expressing things. The student of today was a much more mature person and very much of a realist. But, apart from that, instead of 130 faces in 1905, he himself had about 1,400 before him that evening—which, other things being equal, should make the future eleven times brighter than it was in his father's day.

During his visits to District Societies and his talks to students, he had been asked many questions about salaries and conditions of employment for articled clerks, but he had found little interest in the work of the Institute. The accent had been, if he might say so, "What can I get out of the profession?" rather than "What can I put into it?" The immediate questions of salaries and the curriculum of an articled clerk's life were of first-class importance, but there should be that understanding of the foundation on which alone the individual can prosper: the success and advancement of the body to which he belonged. He was not for one moment suggesting that the modern student was blind to the essential truth that "United we stand—divided we fall." His only plea was that they should all keep in the forefront of their minds the fact that their only hope of success lay in the prosperity and advancement of the profession to which they belonged or hoped to belong.

Chartered Accountants at Newquay

THE CORNWALL AND Plymouth Branch of the Bristol and West of England Society of Chartered Accountants held its annual dinner at the Hotel Bristol, Newquay, on December 3.

The toast of the County of Cornwall was proposed by Mr. F. J. Weeks, president of the Bristol and West of England Society, who was in the chair. He said it was not surprising that so many thousands of people came to Cornwall every year for their holidays.

Colonel Sir Edward Bolitho, Lord Lieutenant of Cornwall, responded and said the county had also a certain amount of industry, but he was afraid the smuggling business was more or less at an end. Cornwall was very proud of its Duchy, and he was proud that his roots had been there for many centuries.

In a speech sparkling with wit Mr. Hugh Park (Recorder of Penzance), proposed the health of the Institute.

Mr. S. J. Pears, F.C.A., Vice-President of the Institute, in his response, referred briefly to two matters which were now being considered by the Council in some detail. The Parker Committee was making an enquiry into education and training for the profession. Accountancy could provide a very satisfying career for university graduates and he would like to see more graduates becoming chartered accountants.

The Council was fully alive to the necessity for continuous research work in the light of the rapidly changing conditions of today and the Technical Activities Committee was reviewing the whole basis of the Institute's work in this field.

The health of the guests was proposed by Mr. L. A. D. Winter, Chairman of the Cornwall and Plymouth branch, who said that this was the one and only opportunity they in Cornwall had of acknowledging the hospitality and many kindnesses received

from their many guests; they particularly welcomed their articled clerks.

Mr. Harries, responding, congratulated the Institute on setting up a committee specifically called the Education and Training Committee, thereby recognising a distinction between education and training.

Interest of the Council in the Remoter Areas

THE EXETER AND District Branch of the Bristol and West of England Society of Chartered Accountants held its annual dinner at the Imperial Hotel, Exeter, on December 4.

The principal guests included the Mayor of Exeter (Alderman Charles Woodland), Mr. W. L. Barrows, LL.D., F.C.A. (immediate Past President of the Institute of Chartered Accountants in England and Wales), Mr. R. H. Passmore, F.C.A. (Chairman of the Exeter and District Branch), Mr. J. L. Smeall, M.A., J.P. (Principal of St. Luke's College, Exeter), Mr. John Foot, B.A., and other representatives of professional bodies.

The toast of the City and County of the City of Exeter was proposed by Mr. F. J. Weeks, A.C.A. (President of the Bristol and West of England Society of Chartered Accountants), who was in the chair, and said it was a pleasure to travel from Bristol to such a delightful city as Exeter.

In Exeter's brochure the city was mentioned once as the heart of the West and later as the gateway to the West. He preferred to think of it as the heart, and of Bristol as one of the gateways to the West. Exeter was a city of about 100,000 inhabitants, not large as industrial cities went, but it had everything that could be desired. He had often envied local accountants: it must be very nice on a summer afternoon to go to Dartmoor to see a farmer on business.

Responding, the Mayor of Exeter (Alderman Charles Woodland) lamented that all that could be said about Exeter had been said already. But some people would not be satisfied until Exeter was pulled down—the Cathedral and Guildhall too—and a large car park built. Then a new city could be built around it.

The toast of the Institute of Chartered Accountants in England and Wales was proposed by Mr. John Foot, B.A., in a witty speech which described ACCOUNTANCY as having "it": the journal of the Institute seemed to be produced by the same company as *Vogue* and *Harper's Bazaar*. It was from this journal that he had discovered the facts of Mr. Barrows's remarkable career and academic successes.

Mr. W. L. Barrows, LL.D., F.C.A. (immediate Past President of the Institute of Chartered Accountants in England and Wales), in responding, recalled boyhood days spent at Dawlish, where his father was a country parson. He had vivid recollections of Exeter and thought he was probably the first President of the Institute to come from that delightful part of the country.

He assured members that the Council was very conscious of the need to look after the interests of those practising and training in what might be termed the more remote areas. The Bristol Society was doing a very good job.

That area, he continued, should be a feeding ground for the rest of the country, providing recruits of the right character—boys and girls from the many excellent schools in the West Country. He imagined those youngsters could not all be absorbed by firms practising in the locality, and he asked members not to forget the Midlands. They should preach the gospel of the opportunities available; by doing this they would be carrying out a real service to the Institute.

In conclusion, Mr. Barrows thanked members warmly for the hospitality which had enabled him to meet so many friends in the profession, and so many of the students who were its future.

The toast of Our Guests was proposed by Mr. R. H. Passmore, F.C.A. (Chairman of the Exeter and District Branch). He said the Press and public bodies had complained that in many areas of the West Country there were no apprenticeship schemes and they frequently bewailed the lack of opportunity for youngsters. Yet there were many firms of local chartered accountants who were willing to accept articled clerks, and the principles of the profession could often be learnt in a provincial office better than in the larger London offices; there was often more individual interest taken in its clerks. The qualification of chartered accountant provided the finest stepping stone to any career, particularly in finance, industry or commerce.

Mr. J. L. Smeall, M.A., J.P. (Principal of St. Luke's College, Exeter), responded.

Union of Chartered Accountant Students' Societies

THE ANNUAL CONFERENCE of the Union of Chartered Accountants' Students' Societies was held in London, at the Hall of the Institute, on December 11. Delegates from twenty-five students' societies were welcomed by Mr. C. U. Peat, F.C.A. (President of the Institute). He congratulated them on the truly constructive spirit shown by their agenda.

Theirs was the future, and his own generation had left them many problems. Most things could be changed with a sledge hammer, and sometimes it was right to destroy utterly and start again from the foundations. But men were creatures of habit, and the fanatical desire for change generally left a lassitude of mind and emotion when it was exhausted. They would have to live with the changes they might be able to make. He advised them to be patient to see the other point of view, if possible to adapt and not destroy, and above all to realise their great responsibilities and remember that those who now bore office respected and envied their youth and opportunities. The apparently reactionary tendencies of those in office were but the necessary challenges they must meet and overcome so that their youthful optimism and determination might make its proper contribution to the Institute.

The discussion ranged over a wide range of subjects, including grants from local authorities towards tuition expenses, articled clerks' salaries and the relationship between articled clerks and their principals.

Mr. W. E. Parker, C.B.E., F.C.A. (President of the London Students' Society), also welcomed the conference.

The chairman, Mr. G. B. C. Hughes, B.A., A.C.A., reviewed the work of the Liaison Committee appointed by the 1958 Conference to meet members of the Council of the Institute, and presented the statement subsequently issued by the Council. The following subjects had been discussed: an interval between the dates of the intermediate and final examinations, the three months' rule for the final examination, the report on the meeting, grants from local education authorities, the questionnaire on the back of examination entry forms, courses at local technical colleges, information available prior to articles, support for broader educational activities of students' societies and the difficulties of oversea students.

The Conference elected eight representatives, with the Chairman and Secretary, for the annual meeting with members of the Council in 1960.

There was keen interest in the need for increased opportunity of professional training for oversea students and appreciation of the special interest shown by the Council and its efforts to increase the number of firms who would take oversea students as articled clerks.

Various suggestions were made to encourage support by students for the activities arranged by students' societies. The problem had been intensified by modern conditions, especially the increased reliance upon articled clerks for the work formerly done by unqualified clerks in practising offices. While it was impossible to compel principals to be co-operative, the continued and active support of the Council could do much to strengthen the hands of the students' society committees.

Residential courses provided by students' societies fell into two distinct classes, tuition and education. It was agreed that both kinds led to better professional understanding and responsibility, though this benefit was not so great in the tuition courses because they tended to become mere cramming sessions.

It was reported that encouraging results had followed the establishment of a Joint Standing Committee of the students' societies in Cumberland, Northumberland, Durham and North Yorkshire. Not only had

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there been improved arrangements for visiting lecturers, but a second residential course had been started and there had also been benefits through the contacts of the senior societies.

Information was exchanged on grants to articled clerks by local education authorities. Conditions varied widely, but the prospect was improving.

The Conference discussed the absence in many offices of any sense of personal relationship between principal and articled clerk. Really bad cases were relatively few, but many principals treated their training obligations very lightly. There were obligations in both directions, but deterioration on one side led to lack of loyalty on the other. A public stand by the Council of the Institute and freer access to information on actual conditions would do much.

The report was received of the Committee on Education and Training appointed by the last Conference. Its members were thanked and complimented on the excellence of the submissions made to the Parker Committee.

The report of the Secretary of the Lecturers' Panel was received and thanks were offered to Mr. Farthing for his most helpful work.

Other subjects discussed were grants-in-aid for smaller societies, sporting activities, spreading the knowledge of the work of the Union Conference among articled clerks, deferment of National Service, salaries of articled clerks and of newly qualified accountants, technical colleges, income tax reliefs.

In the evening a dinner was held at Tallow Chandlers' Hall. Mr. W. E. Parker, C.B.E., F.C.A. (President of the Chartered Accountant Students' Society of London), occupied the chair. A presentation was made to Mr. F. J. B. Gardner, the retiring Honorary Treasurer, in commemoration of his work for the Union over nearly fifty years.

Chartered Accountants' Benevolent Association

AT A RECENT meeting of the Executive Committee the chair was taken by Mr. B. J. Davis, F.C.A., in the absence of the President, and eight members were present.

Applications for assistance

Two new applications for assistance were considered. In the first case a temporary grant was approved; in the second case a donation was made, together with a grant for one year.

Applications for further assistance

Nineteen cases for further assistance were considered. In fourteen cases the grant was increased; owing to improved circumstances the grant was decreased in two cases, and in one case no further grant was made.

Matters reported

The Honorary Secretary reported changes in the circumstances of nineteen beneficiaries during the last quarter, and grants were adjusted or donations made in appropriate cases.

Legacies and donations

The Honorary Secretary reported the receipt of legacies and donations to the total value of £325.

District Societies

BIRMINGHAM

MORE THAN 100 members attended a one-day conference held at Birmingham University on December 17. Papers were given on "Surtax and Companies" by Mr. J. R. Mead, J.P., F.C.A., and on "Practical Aspects of Estate Duty" by Mr. B. G. Rose, F.C.A.

LIVERPOOL
Intermediate Prize

THE COMMITTEE OF the Liverpool Society of Chartered Accountants has founded a prize, to be known as the Intermediate Prize, to be awarded to the candidate, being a member of the Liverpool Chartered Accountant Students' Association or any one of its constituent branches, who gains the highest place in each Intermediate Examination.

The first prize will be presented in respect of the November, 1959, examination. It will take the form of a book to be chosen by the President for the time being of the Society.

It is the responsibility of the student to apply for the prize. Applications should state the position gained in the examination, and should be sent to the Hon. Secretary of the Intermediate Prize Committee, Mr. F. W. Frodsham, A.C.A., The Chartered Accountants' Library, 5 Fenwick Street, Liverpool, 2, within two calendar months after the promulgation by the Institute of the results of the examination.

MANCHESTER

THE HONORARY SECRETARY of the Manchester Society of Chartered Accountants is now Mr. T. W. E. Booth, F.C.A., Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2.

Forthcoming Events

BIRMINGHAM
Members' Meetings

January 20.—"Mind your Own Business," by Mr. H. T. Nicholson, F.C.A. Queens Hotel, at 6 p.m.

February 10. — "The Institute's Latest Recommendations on Accounting Principles," by Mr. W. G. Densem, F.C.A. Queens Hotel, at 6 p.m.

Students' Meetings and Function

January 19.—"Takeover Bids," by Mr. R. B. Wickenden, F.C.A. The Library, 36 Cannon Street, at 6 p.m.

January 26.—"Punched Card Accounting," by Mr. R. A. Barber, F.C.A. (IBM United Kingdom Limited). The Library, 36 Cannon Street, at 6 p.m.

February 2.—"Problems in Company Taxation," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Joint lecture arranged by the Association of Certified and Corporate Accountants. Imperial Hotel, Temple Street, at 6.30 p.m.

February 9.—"The Liability of the Auditor," by Mr. E. J. Newman, M.A., F.C.A. The Library, 36 Cannon Street, at 6 p.m.

February 16.—Debate with the Chartered Accountant Students' Society of London.

February 18.—Students' annual winter dance. Pavilion Suite, County Ground, Edgbaston.

February 23.—"Taxation—Capital Allowances," by Mr. Stanley Kitchen, F.C.A.

BOLTON

February 4.—"The Accountant as a Member of the Management Team," by Mr. R. Birch, A.C.A. Members' meeting. Reform Club, Bowker's Row, at 6.15 p.m.

BOURNEMOUTH

January 18.—Members' meeting. Devonshire Hotel, at 6 p.m.

February 8.—Members' meeting. Devonshire Hotel, at 6 p.m.

BRADFORD
Members' Meetings

January 15.—"The Valuation of Gifts *inter vivos* for Estate Duty Purposes," by Mr. Martin Jacomb, Barrister-at-Law. Meeting. Midland Hotel, at 6.15 p.m.

January 25.—Luncheon meeting. Victoria Hotel, at 12.45 p.m.

BRIGHTON
Students' Meetings

All Saturday lectures will be held in Conference Room 3, Royal Pavilion, at 10.15 a.m.

January 23.—"Investigations," by Mr. H. R. Dixon, F.C.A.

January 30.—"Profits Tax," by Mr. P. E. Whitworth, B.A.

February 6.—"Mechanised Accounting," by Mr. K. G. Bishop, A.C.A.

February 11.—Visit to Underwood Business Machines Ltd. Crowhurst Road, Hollingbury.

February 13.—"Negotiable Instruments," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

February 20. — "Forms of Company Finance," by Mr. A. R. English, F.C.A.

CARDIFF

January 28.—"Back Duty," by Mr. K. S. Carmichael, A.C.A. Members' meeting. Park Hotel, at 7 p.m.

February 19.—Annual Dinner of the South Wales and Monmouthshire Society. Park Hotel, at 6.45 for 7.15 p.m.

CARLISLE

January 20.—Members' luncheon meeting. Central Hotel, at 1 p.m.

Students' Meetings

To be held at the County and Station Hotel, at 6.45 p.m.

January 21.—"Group Accounts," by Mr. K. S. Carmichael, A.C.A.

February 4.—"Company Law," by Mr. A. J. Whiteside, M.A., Barrister-at-Law.

February 19.—"The Accounts of an Executor," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A.

COVENTRY

Members' Meeting

January 18.—"The National Insurance Act 1959," by Mr. Owen Harris. The Chace Hotel, at 12.45 for 1 p.m.

Students' Meetings

January 18.—"Costing," by Mr. A. W. Thurstans (Jaguar Cars Ltd.). Golden Cross Hotel, at 6 p.m.

January 22.—Annual dance. Hotel Leofric.

February 1. — "Farm Management Accounts."

February 15.—"The Financial Column—International Free Trade," by a Financial Correspondent.

DERBY

January 20.—Members' luncheon meeting. Speaker from Derby and District Productivity Committee. St. James's Restaurant, at 12.30 for 1 p.m.

February 16.—"Estate Duty Valuation and the Family Company with special reference to the Finance Act 1954," by Mr. E. L. Fairweather, O.B.E., LL.B. Members' meeting. Midland Hotel, at 6.30 p.m.

EASTBOURNE

Students' Meetings

All lectures will be held at the Civil Defence Hall, Furness Road.

January 30.—"Tax Planning," by Mr. A. J. Turner, A.C.A., at 10 a.m.

February 11.—Afternoon visit to Underwood Business Machines Ltd., Crowhurst Road, Hollinbury.

February 13.—Annual General Meeting of Eastbourne students, at 10 a.m.

February 13.—"Current Economic Position of Great Britain," by Mr. F. Meddings, F.I.B., at 10.30 a.m.

GRIMSBY

Members' Meetings

January 18.—"Farm Accounts and Directors' Expenses." Royal Hotel, at 6.45 p.m.

February 15.—"Controls for Management," by Mr. A. Hallwood, A.C.A. Luncheon meeting. Royal Hotel, at 1 p.m.

Students' Meetings

All meetings will be held at the Grimsby Conservative Club, 35, Bargate,

January 28.—"Budgetary Control and Standard Costing," by Mr. A. MacDonald, A.C.W.A. At 7.30 p.m.

February 12.—Balloon Debate with the Grimsby and Cleethorpes Law Students Society. At 7.30 p.m.

February 18.—"Stock Verification and Valuation," by Mr. J. B. Harrison, F.C.A. At 7.30 p.m.

HALIFAX

January 18.—Members' luncheon meeting. Old Cock Hotel, at 12.30 p.m.

HASTINGS

Students' Meetings

All lectures will be held at the Yelton Hotel, White Rock, at 10.15 a.m.

February 6.—Annual General Meeting of Hastings students, followed by a lecture by Mr. W. R. McBrien, F.C.A.

February 11.—Afternoon visit to Underwood Business Machines Ltd., Crowhurst Road, Hollingbury, Brighton.

February 20.—"Law of Property," by Mr. J. S. Meneer.

HULL

Students' Meetings

January 21.—"Executorship Law—Estate Duty" and "Audit of a Limited Company," by Mr. D. Rich, A.C.A. Students' meeting. Imperial Hotel, Paragon Street, at 4 p.m. and 6.15 p.m.

February 5.—Students' visit to the Hull Brewery Co. Ltd., at 7 p.m.

February 12.—Students' annual general meeting, at 6.15 p.m.

IPSWICH

February 2.—Students' debate. 7 Elm Street, at 7.30 p.m.

February 21.—Students' hockey match. Ipswich Students v. Norwich Students. Henley Road Ground, at 2.30 p.m.

KETTERING

February 17.—"Modern Practice in Balance Sheet Audits and Verification of Assets," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Students' meeting. Office of Messrs. Cattell & Chater, High Street, at 5.45 p.m.

KINGSTON-UPON-THAMES

Members' Meeting

February 1.—Meeting of South West London Discussion Group. Kingston Hotel, at 6.45 p.m.

LEEDS

Members' Meeting

February 12.—"Different approaches to the problems presented by the raising of the Queen's Revenue," by Sir William Carrington, F.C.A. Joint meeting arranged with the Association of Her Majesty's Inspectors of Taxes. Leeds and County Conservative Club, at 6.15 p.m.

Students' Function

January 22.—Annual dinner. Griffin Hotel.

LEICESTER

Members' Meeting

January 22.—"Commercial Frauds," by Superintendent Bellamy of New Scotland Yard. The Chamber of Commerce, at 6 p.m.

Students' Meetings

To be held at the Bell Hotel, except where otherwise indicated.

January 29.—"Bankruptcy," by Mr. R. A. Haigh, F.C.A. At 6 p.m.

February 3.—Students' annual dinner. The Grand Hotel, at 6.45 p.m.

February 19.—"The Accounts and Financial Structure of a Building Society," by Mr. J. G. Hall, F.C.A. At 6 p.m.

LINCOLN

January 22.—Mock Examination in Bankruptcy—Official Receiver. Students' meeting. Great Northern Hotel, High Street, at 5.45 p.m.

February 11.—Students' visit to premises of Ruston and Hornsby Limited. At 6 p.m.

LIVERPOOL

January 22.—"The Work of the G.P.O.," by Mr. K. P. Thompson, M.P. Students' meeting. The Library, 5 Fenwick Street.

February 11. — Students' Competition for the President's Prize. The Library, 5 Fenwick Street.

February 18.—"A Minor Gale of Wind," by Mr. V. R. Anderson, F.C.A. Students' meeting. The Library, 5 Fenwick Street.

LONDON

Members' Meetings

January 20.—Meeting of North London Discussion Group. Russell Hotel, Russell Square, London, W.C.1, at 6.30 p.m.

January 27.—Meeting of Management Discussion Group. Samson, Clark & Co. Ltd., 57 Mortimer Street, W.1, at 6 p.m.

February 1.—Meeting of South West London Discussion Group. The Kingston Hotel, Wood Street, Kingston-upon-Thames, at 6.45 p.m.

February 3.—Meeting of Taxation Discussion Group. The Cheshire Cheese, 10 Surrey Street, W.C.2, at 6 for 6.15 p.m.

February 10.—Meeting of City Discussion Group. The Tiger Tavern, 1 Tower Hill, E.C.3, at 6 for 6.30 p.m.

February 11.—Meeting of Central London Discussion Group. The Lamb and Flag, 33 Rose Street, Covent Garden, W.C.2, at 6.30 p.m.

February 15.—Luncheon. Guest speaker: The Rt. Hon. Viscount Simon, C.M.G. Chairman of the Port of London Authority. Connaught Rooms, at 12.30 for 1 p.m.

February 17.—Meeting of North London Discussion Group. Russell Hotel, Russell Square, W.C.1, at 6.30 p.m.

LUTON

January 26.—"Surtax Directions," by Mr. Percy F. Hughes. Members' meeting. George Hotel, at 7 for 7.30 p.m.

MAIDSTONE

February 13.—Students' visit to a Kent coal mine.

MANCHESTER

Members' Meetings

January 11.—Luncheon meeting. The Board Room, 46 Fountain Street, at 12.45 p.m.

February 9.—"The Health of the Sedentary Worker," by Prof. Ronald E. Lane, C.B.E.,

M.D., F.R.C.P. Luncheon meeting. The Board Room, 46 Fountain Street, at 12.45 p.m.
February 15.—"Business Investment," by Mr. E. H. Davison, F.C.A. Meeting. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

Students' Meetings

In addition to the meetings set out below, the following series of lectures have been arranged by the Joint Tuition Committee, to be held at the Chartered Accountants' Hall, 46 Fountain Street, at 9.30 and 11 a.m.:
Intermediate lectures (lecturers, Mr. H. C. Cox, F.C.A., *Mr. W. N. Thomson,* A.C.A., *Mr. H. B. Vanstone,* F.C.A., *Mr. A. E. Morecroft,* B.A.(COM.), A.I.B., *Mr. W. A. Eastwood,* F.C.W.A.), *on January 23 and 30, February 6, 13, 20.*
Final lectures (lecturers, Mr. G. Vaughan Davies, M.A., *Mr. H. B. Vanstone,* F.C.A., *Mr. A. S. Edmondson,* F.I.B., *Mr. R. W. Kirtley,* B.A.(COM.), A.C.A., *Mr. R. Y. Taylor,* B.A., F.C.A., *Mr. W. Pickles,* B.COM., F.C.A.), *on January 23 and 30, February 6, 13, 20.*
January 21.—"Managers' Figures and Wild Birds," by Mr. G. C. Naylor, B.SC.(ECON.), C.S.S. Chartered Accountants' Hall, at 6 p.m.
January 28.—Mock Annual General Meeting of a Limited Company, arranged by Mr. B. M. Rothmer, B.COM., F.C.A. Chartered Accountants' Hall, at 6 p.m.
February 4.—Legal Miscellany, by Mr. J. Stewart Oakes, Barrister-at-Law. Chartered Accountants' Hall, at 6 p.m.
February 5.—"Who Goes Home" meeting. Chamber of Commerce, Ship Canal House (rear entrance), at 6 p.m.
February 11.—"Share Valuations and Takeover Bids," by Mr. C. R. Curtis, M.SC. (ECON.), PH.D., F.C.I.S., Chartered Accountants' Hall, at 6 p.m.
February 12.—Students' informal dance. Heaton Park Hotel, at 7.30 p.m.
February 18.—"The Form and Presentation of Final Accounts," by Mr. D. R. Fendick, F.C.A. Chartered Accountants' Hall, at 6 p.m.

MIDDLESBROUGH

January 19.—"The Accounts of an Executor," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Hinton's Café, at 6.15 p.m.

NEWCASTLE UPON TYNE

Students' Meetings

To be held at the Y.M.C.A., Blackett Street.
January 20.—"Institute Recommendations—Practical Points, Mechanised Accounting and Accounting by Electronic Methods," by Mr. K. S. Carmichael, A.C.A. At 6 p.m.
January 21.—Institute Recommendations—Presentation of Balance Sheet and P. & L. A/c. Treatment of Income Tax, Investments, Final Assets, etc., by Mr. K. S. Carmichael, A.C.A. At 2.15 p.m.
February 3.—"Law relating to Liquidations and Partnerships," by Mr. A. J. Whiteside, M.A.. Barrister-at-Law. At 6 p.m.
February 4.—"Bills of Exchange and Cheques Act 1957," by Mr. A. J. Whiteside, M.A., Barrister-at-Law. At 2.15 p.m.
February 18.—"Costing for Profit in a Competitive World," by Mr. J. B. C. Darroch, Thos. Hedley & Co. Ltd., Newcastle. At 6 p.m.

NEWPORT, I.O.W.

January 18.—"Modern Accounting Principles," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Students' meeting. Bugle Hotel, at 5.30 p.m.

NORWICH

January 27.—"Budgetary Control," by Mr. C. J. Russell, and "Consolidated Accounts," by Mr. D. Rich. For Final students. Assembly House, at 11.30 a.m. and 2.30 p.m.
January 27.—"Company Accounts (Formation, Redeemable Preference, Debentures)," by Mr. D. Rich, and "Costing," by Mr. C. J. Russell. For Intermediate students. Assembly House, at 11.30 a.m. and 2.30 p.m.

NOTTINGHAM

Members' Meeting

February 18.—"Helping Management to Help Itself," by Mr. C. I. Bostock, M.A., F.C.A. Luncheon meeting. Welbeck Hotel, at 12.30 for 1 p.m.

Students' Meetings

January 20.—"Creation of Credit by Banks," by Dr. S. B. Saul, PH.D., B.COM. (Liverpool University). Lecture held jointly with the City Treasurer's Department Students' Society.
January 27.—"The Inland Revenue Department," by Mr. L. T. Rouse, H.M. Inspector of Taxes, Nottingham 1st District. The Ballroom, the Elite Cinema, Parliament Street, at 5.30 p.m.
January 29.—Debate. At 6 p.m.
February 10.—"Negotiable Instruments" and "The Secretary of a Small Company," by Mr. C. Ralph Curtis, M.SC.(ECON.), PH.D., F.C.I.S. The Ballroom, the Elite Cinema, Parliament Street, at 4 p.m.

OXFORD

February 4.—"Machine Accounting." Lecture and Demonstration, by the National Cash Register Co. Ltd. Students' meeting. The Forum, High Street, at 5.30 p.m.

PLYMOUTH

February 12.—"Losses and Reliefs," by Mr. K. S. Carmichael, A.C.A. Members' meeting. Grand Hotel, at 6.15 p.m.
February 12.—"Capital Allowances," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Grand Hotel, at 4.15 p.m.

PRESTON

Students' Meetings

The following lectures, to be held at the Masonic Hall, Saul Street, off Lancaster Road, at 10 and 11.15 a.m., have been arranged by the Manchester Joint Tuition Committee:
Intermediate lectures (lecturer, Mr. W. N. Thompson, A.C.A., *Mr. H. C. Cox,* F.C.A., *Mr. H. B. Vanstone,* F.C.A., *Mr. A. E. Morecroft,* B.A.(COM.), A.I.B., *Mr. W. A. Eastwood,* F.C.W.A.), *on January 23 and 30, February 6, 13, 20.*
Final lectures (lecturers, Mr. J. C. Wood, LL.M., *Mr. G. Vaughan Davies,* M.A., *Mr. H. B. Vanstone,* F.C.A., *Mr. A. S. Edmondson,* F.I.B., *Mr. R. W. Kirtley,* B.A.(COM.), A.C.A., *Mr. R. Y. Taylor,* B.A., F.C.A., *Mr. W. Pickles,* B.COM., F.C.A.), *on January 23 and 30, February 6, 13, 20.*
January 27.—Visit of thirty students to the mill of A. S. Orr & Co. Ltd., Spinners and Manufacturers, Bamber Bridge, near Preston.

RYDE

February 8.—"Company Law," by Mr. R. Curtis, M.SC.(ECON.), PH.D., F.C.I.S. Students' meeting. Spencers Inn, at 5.30 p.m.

SHEFFIELD

Members' Meetings

January 27.—"Profit Planning," by Mr. W. J. R. McEwan, C.A. Grand Hotel, at 5.45 p.m.
February 4.—"Solicitors' Accounts Rules," by Mr. S. J. Saunders, T.D., F.C.A. Grand Hotel, at 5.45 p.m.
February 10.—Luncheon meeting to welcome newly qualified members of the Institute. Grand Hotel, at 12.30 for 1 p.m.

Students' Functions and Meetings

January 20.—President's Sherry Party for new members. The Sheffield Club, Norfolk Street, at 5.30 p.m.
February 11.—Annual dinner dance. The Maynard Arms, Grindleford, at 7 for 7.30 p.m.
February 19.—"Executorship Accounts, including Apportionments," by Mr. R. Glynne Williams, F.C.A. Grand Hotel, at 5.30 p.m.
February 20.—"Estate Duty Reliefs and Concessions," by Mr. R. Glynne Williams, F.C.A. Grand Hotel, at 9.30 a.m.

SHREWSBURY

Students' Meeting

February 10.—"Company Law," by Mr. Alexander M. B. Rule, M.A.

SOUTHAMPTON

February 16.—Second Annual Dinner of the South Eastern Society. Polygon Hotel, at 7 p.m.

STOCKTON

Students' Meetings

February 2.—"The Rights and Liabilities of a Personal Representative," by Mr. A. J. Whiteside, Barrister-at-Law. Black Lion Hotel, at 6.15 p.m.
February 18.—"Miscellaneous Accounts" and "Company Accounts," by Mr. V. S. Hockley, C.A., A.A.C.C.A. Spark's Cafe, at 10 a.m. and 2 p.m.

SUNDERLAND

Students' Meetings

To be held in the Museum Room, Sunderland Technical College.
January 20. — "Standard Costing and Budgetary Control" and "Management Accounting," by Mr. K. S. Carmichael, A.C.A. At 2.15 p.m.
February 3.—"Examination Aspects of Company Law" and "G.F.K." by Mr. A. J. Whiteside, M.A., Barrister-at-Law. At 2.15 p.m.

February 18.—"Capital or Revenue?" by Mr. W. H. Millar, Inspector of Taxes, Newcastle. At 6.15 p.m.

SWANSEA

Joint lectures, to be held at Mackworth Hotel, at 6.45 for 7 p.m.

January 26.—"Automation in the Office," by Mr. O. W. Standingford, F.B.I.M., F.O.M.A. Members' meeting.

February 17.—"The Secretary in the Board Room," by Mr. S. G. Harpour, F.C.I.S., A.T.I.I., F.A.I.A.

TRURO

February 11.—"Losses and Reliefs," by Mr. K. S. Carmichael, A.C.A. Members' meeting. Red Lion Hotel, at 6.15 p.m.

February 11.—"Capital Allowances," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Red Lion Hotel, at 4.30 p.m.

WOLVERHAMPTON

February 15.—"Credit Insurance," by Mr. D. W. Aylett. Members' meeting. Victoria Hotel, at 6 p.m.

February 17.—"Partnership with Regard to the Computation of Goodwill," by Mr. H. A. Astbury, F.C.A. Students' meeting. Victoria Hotel, at 6 p.m.

YORK

January 20.—Members' luncheon meeting. De Grey Rooms, at 12.45 p.m.

Personal Notes

Messrs. Critchley, Ward & Pigott, Chartered Accountants, Oxford, announce that on the retirement of Mr. H. S. Critchley (whose subsequent death we regret to report below), Mr. R. W. Snell and Mr. R. G. Bell were admitted to the partnership.

Mr. F. G. Hall, PH.D., LITT.D., a Fellow of the Institute of Chartered Accountants in Ireland, has been appointed by the Irish Minister for Industry and Commerce to be a member of the Fair Trade Commission.

Mr F. S. Grindrod, F.S.A.A., A.I.M.T.A., formerly Deputy Chief Accountant, has been appointed Chief Accountant to the Eastern Electricity Board.

Messrs. J. H. Champness, Corderoy, Beesly & Co., Chartered Accountants, London, E.C.4, announce with regret the retirement of Mr. C. M. Champness, F.C.A., a partner since 1906 and senior partner since 1925. He remains available in a consultative capacity. The name of the firm is unchanged.

Messrs. Roth, Manby & Co., Chartered Accountants, London, W.1, have taken into partnership Mr. N. I. H. Wolfe, M.A., A.C.A., who has been a member of their staff for some years.

Mr. P. Yardley, A.C.A., has been appointed assistant registrar of the Institute of Chartered Accountants of Ontario.

Messrs. Everett, Morgan & Grundy, Chartered Accountants, London, E.C.4, announce that Mr. R. Owers, A.C.A., has been admitted to the partnership.

Messrs. John Baker, Sons & Bell, Chartered Accountants, London, E.C.3, announce that Mr. F. A. Bell, F.C.A., has retired after completing fifty years in the firm. The practice is being continued under the same style by the remaining partners.

Messrs. Odgen, Hibberd Bull & Langton, Chartered Accountants, have admitted Mr. J. Patrick Ogden, A.C.A., to partnership. He is the younger son of Mr. W. E. Ogden and a great-grandson of Mr. W. T. Ogden, the founder of the firm.

George A. Touche & Co. announce that George A. Touche & Co. (England), Touche, Niven, Bailey & Smart (U.S.A.) and Ross, Touche & Co. (Canada) are now practising under the name Touche, Ross, Bailey & Smart. International business of the group will also be carried on through associated firms under the new name in Australia, Continent of Europe and Mexico. At the same time, a new firm of Touche, Ross, Bailey & Smart has been formed in Edinburgh, of which the partners are those of the London firm and of A. T. Niven & Co.

A. T. Niven & Co., Chartered Accountants, Edinburgh, announce that an additional firm has been formed at their address under the name of Touche, Ross, Bailey & Smart, the partners of which are those of Touche, Ross, Bailey & Smart, London (formerly George A. Touche & Co.), and those of A. T. Niven & Co. This firm will have the same oversea associations as Touche, Ross, Bailey & Smart, London. The existing firm of A. T. Niven & Co. continues unchanged.

Messrs Barton, Mayhew & Co., Chartered Accountants, London, and Messrs. Woolley & Waldron, Chartered Accountants, Southampton, announce that they are now practising in partnership under both firm names at Blue Peter House, 8 and 10 Portland Terrace, Southampton. The partners in the joint firm are the existing partners of Messrs. Woolley & Waldron with partners representing Messrs. Barton, Mayhew & Co., London.

Messrs. Fox, Hoare, Harris & Turnbull, Chartered Accountants, London, E.C.2, announce that Mr. Geoffrey R. Fox, A.C.A., the elder son of Mr. Graham L. Fox, F.C.A., has been admitted into partnership.

Messrs. Frank Hiscocks & Co., Chartered Accountants, Liverpool, announce that they have taken into partnership Mr. William B. Hiscocks, A.C.A. The style of the firm remains unaltered.

Messrs. Edward Thomas Peirson and Sons, Chartered Accountants, Coventry, have taken into partnership Mr. Kenneth Sankey, F.C.A., who has been with them since 1939. The style of the firm is unchanged.

Messrs. F. E. Sidaway, Son & Co., Blackheath, Staffs., and Halesowen, have admitted into partnership Mr. Robert P. Reardon, A.C.A.

Mr. G. A. L. Calvert, F.C.A., A.C.W.A., has been appointed accountant of the New Zealand branch of Northern Aluminium Co. Ltd., Auckland, New Zealand.

Removal

Messrs. James Meston & Co., Chartered Accountants, announce that their offices are now at 10 Cork Street, London, W.1.

Obituary

WITH REGRET we record the death on December 24 of **Mr. Harry Samuel Critchley,** F.C.A., senior partner of Messrs. Critchley, Ward & Pigott, Chartered Accountants, Oxford. Mr. Critchley became a member of the Institute in 1904, and founded the firm in 1906.

WITH REGRET WE record the death, only seven months short of his centenary, of an esteemed figure in the public life of South Africa and in the accountancy profession there, **Dr. W. J. O'Brien,** O.B.E., F.S.A.A. Dr. O'Brien, though he had not applied to become a member of the Institute under the integration scheme, was a firm supporter of the scheme; in 1957, at the age of ninety-seven, he travelled many miles to be present at a meeting of the Eastern Branch Committee of the Society of Incorporated Accountants at Durban so as to give his blessing to integration.

In 1895, Dr. O'Brien went round South Africa with Sir James Martin to commence the work of the Society there. In 1910, he was a foundation member of the Natal Society of Accountants in 1929 when the body was formed by legislation, and he was its President for three years. On the formation of the Eastern Branch of the Society of Incorporated Accountants he was an original member of the committee, and he was a member of it at the time of his death.

He was much loved in Pietermaritzburg, where he had his business for seventy-one years. He had been the oldest living member of the Johannesburg Stock Exchange and held a number of directorships. He had been a City Councillor of Pietermaritzburg and its Mayor; from 1918 to 1938 he was a Member of Parliament and for the next ten years a Senator. The University of Natal conferred on him the honorary degree of Doctor of Philosophy.

WE RECORD WITH regret that **Mr. Robert Stanley Paterson,** M.A., F.C.A., died on December 14, at the age of 86. He was senior partner in Messrs. Broads, Paterson & Co., Chartered Accountants, London, Chicago, New York and Paris. Mr. Paterson became a member of the Institute in 1898, and was admitted to partnership in the firm in 1903.

APPOINTMENTS VACANT

(Continued from page xxxviii, facing page 51)

AUDIT CLERKS. Many vacancies waiting for Senior, Semi-senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

ASSISTANT required to the Secretary of an old established Private Limited Company in the City of London. Applicants who are qualified A.C.I.S. or Chartered Accountants are preferred. The vacancy offers an excellent opportunity to the right man of eventually becoming Company Secretary. There is a non-contributory Pension Scheme in operation. Write giving full particulars of age, experience, qualifications and remuneration expected, to Box No. 281, c/o ACCOUNTANCY.

ASSISTANT SECRETARY required by The Liverpool Cotton Association. Applicants should be aged between 25–35 and be of good education and personality. Preference will be given to applicants with appropriate professional training or experience in the Liverpool Cotton Trade or in other commodity markets. Starting salary £750–£1,250 per annum according to age and experience. Obligatory pension scheme. Application form may be obtained from the Secretary, LIVERPOOL COTTON ASSOCIATION LTD., Cotton Exchange Buildings, Liverpool, 3.

BIRMINGHAM CHARTERED ACCOUNTANTS offer first class opportunities for:

(1) An experienced senior assistant. Applications will be considered from chartered accountants (age about 28–38) preferably with public school education. Good salary and excellent prospects in expanding practice (possible future partnership) for a man of personality who can prove his ability to take responsibility.

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JAMAICA. International firm of Chartered Accountants require a recently qualified Chartered Accountant for their Jamaica Office. The initial contract would be for three years renewable by agreement. Single man preferred although consideration will be given to a married man. First class passages paid and repatriation guaranteed. Apply in writing stating age, education, experience and examination record to Box No. 282, c/o ACCOUNTANCY.

CHARTERED ACCOUNTANT

An international firm of Chartered Accountants wishes to strengthen its staff in London by the appointment of one or two young qualified men, who have the ability to progress quickly to responsible work.

Candidates should be aged not more than 32 and have had recent experience in a professional office. A good educational background is essential and knowledge of one European language would be an advantage.

These appointments are intended for men of higher than average calibre and will carry appropriate remunerations. As they arise through the continued expansion of the firm's practice the prospects may be considered unusually good.

Applications will be treated in confidence and should be sent to Box A233, c/o WALTER JUDD LIMITED, 47 Gresham Street, London, E.C.2.

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In the last few months Ford of Dagenham has been seeking staff to augment and broaden its finance services to management. A new and imaginative approach is being developed with the object of providing constructive advice on the financial implications of policies covering the whole range of the company's activities from ironmaking to the sale of the completed car.

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Selected candidates will be interviewed during the next three weeks when they will be given the opportunity of learning more about the work and of meeting some of the present staff. Replies should be addressed to Mr. H. G. DeVille, Ford Motor Company Limited, Dagenham, Essex.

FORD

CHARTERED ACCOUNTANTS — Price Waterhouse & Co., 3 Frederick's Place, Old Jewry, London, E.C.2, have vacancies for young qualified accountants. Excellent prospects and opportunities for broadening experience in the profession. 5-day week, luncheon vouchers and pension scheme.

ESTABLISHED CARDIFF COMPANY, engaged in precision engineering, successfully marketing well advertised products, invites applications for the post of Secretary/Accountant. Applicants must have previous commercial experience in company secretary duties, and be able to take charge of the financial records, including preparation of monthly management accounting returns. Age limits 28/40. Commencing salary, according to experience—minimum £1,250. Pensionable position with excellent prospects. Box No. 279, c/o ACCOUNTANCY.

LEEDS. Old established Chartered Accountants require experienced Chartered Accountant aged 30–35 to undertake duties of audit manager for medium to large-sized concerns in immediate locality. Good salary and prospects. Write fully in confidence to Box No. 264, c/o ACCOUNTANCY.

LARGE CITY FIRM of Chartered Accountants has vacancies for qualified accountants. Good experience and salary, five-day week, pension fund. Box No. 204, c/o ACCOUNTANCY.

PEAT, MARWICK, MITCHELL & CO., 11 Ironmonger Lane, London, E.C.2, have vacancies in their London office for young Chartered Accountants who wish to widen their experience in all branches of accountancy. Excellent prospects, good starting salary, pension scheme. Opportunities for service overseas. Applications to 11 Ironmonger Lane, E.C.2.

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Accountancy

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The index to Volume 70 (January–December, 1959) is enclosed with this issue of ACCOUNTANCY.

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PENANG PORT COMMISSION

CHIEF ACCOUNTANT required by Penang Port Commission for one tour of three years from March 1960. Candidates, who should not be under 35 years of age, should possess a recognised accountancy qualification and preference will be given to candidates with wide experience in public authority or company accounting and a sound knowledge of costing and experience of and ability to design and introduce mechanised accounting.

In addition to the normal responsibilities of the post of Chief Accountant, the successful candidate will be required to (*a*) develop an internal costing system for port and dockyard operations, (*b*) introduce additional mechanised accounting, (*c*) examine and make recommendations as to adequate renewals provision and (*d*) train Malayan accountants in the higher branches of accountancy.

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The commencing salary within the scale will be dependent upon the qualifications and experience of the candidate appointed.

Applications from qualified and experienced accountants retiring or about to retire from Government service or from statutory bodies may in certain circumstances be considered.

For further details, apply to the CROWN AGENTS FOR OVERSEA GOVERNMENTS AND ADMINISTRATIONS, 4 Millbank, London, S.W.1, quoting reference M3A/52910/AD.

QUALIFIED ACCOUNTANT aged under thirty required as assistant to the Secretary and Chief Accountant of an old established heavy engineering company in the North Midlands. Initial salary about £1,000, generous pension scheme etc. Send full details in strict confidence to Box No. 286, c/o ACCOUNTANCY.

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CHARTERED ACCOUNTANT with offices in Sydney, Brisbane and Melbourne and Agencies in other Australian States, also New Zealand, seeks agency arrangements with United Kingdom Chartered Accountants. Advertiser makes periodical visits to United Kingdom and the Continent. Reply to A. S. HAWLEY, Chartered Accountant (Aust.), 12 O'Connell Street, Sydney, Australia.

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